Serving
British Columbians

2016 Annual Report and 2017–2019 Service Plan

WorkSafeBC

Strategic Foundations of WorkSafeBC

WorkSafeBC (the Workers' Compensation Board of British Columbia) is an independent reporting agency governed by a board of directors appointed by the provincial government. We provide coverage to 2.33 million workers and more than 231,000 registered employers throughout B.C., and are funded through insurance premiums paid by employers and investment returns. In administering the *Workers Compensation Act*, WorkSafeBC remains separate and distinct from government; however, we are accountable to the public through the provincial government, which is responsible for protecting and maintaining the overall well-being of the workers' compensation system.

Our vision

British Columbians free from workplace injury, disease, and death

Priorities of the Board of Directors

- Eliminate serious injury and death in the workplace
- Improve return-to-work outcomes and prevent avoidable disability
- Maintain an effectively operating business
- Maintain a system with long-term sustainability that contributes to the societal benefits envisaged by the historic compromise
- Respond effectively to changing social and economic realities

Our goals

(For more information, see page 26)

1. Foster the improvement of occupational health and safety in workplaces and communities
2. a. Improve service to stakeholders — improve return-to-work outcomes, disability prevention, overall customer service, accessibility, and public confidence
   b. Improve service to stakeholders — improve adjudicative decision making throughout the organization, ensuring stakeholders receive their full legal entitlements
3. Maintain the cost-effectiveness and accountability of the services WorkSafeBC delivers
4. Maintain financial security, sustainability, and stability

Our mission

- Champion safe and healthy workplaces
- Save lives and prevent injury and disability
- Deliver outstanding service to workers and employers
- Provide and support excellent medical and rehabilitative care to workers
- Preserve the financial integrity and sustainability of the system
- Learn, lead, and share

Shared values

As an organization and as individuals, we make decisions and take action based on these values:

Service

Making a difference one human being at a time

Integrity

Doing the right thing

Accountability

Being open and transparent

Partnership

Collaborating for success

Innovation

Challenging complacency

WorkSafeBC 2016 Annual Report and 2017–2019 Service Plan

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About WorkSafeBC

Since 1917, we have been dedicated to the reduction and eventual elimination of work-related injury, disease, and death in B.C. workplaces. When workers across British Columbia get sick, injured, or killed on the job, WorkSafeBC is committed to easing the physical, financial, and psychological burden on workers and their families.

With a legislated responsibility for establishing and enforcing occupational health and safety standards, we are committed to making a difference to the people of British Columbia — one worker, one employer, one workplace at a time. To meet these responsibilities, WorkSafeBC focuses on the following areas:

Preventing workplace injury and death

Our vision is to keep workers and workplaces safe and secure from injury, disease, and death. In support of this goal, we establish standards and guidelines for occupational health and safety practices; educate and consult with workplace stakeholders; raise public awareness; and build partnerships with industry safety associations, unions, and other key stakeholders to improve health and safety in B.C. workplaces. We also have the legislative authority to monitor compliance with occupational health and safety law and regulation; investigate serious incidents; and, in certain cases, levy financial penalties or other sanctions against employers for health and safety infractions.

Compensating and rehabilitating injured workers

When work-related injuries and illnesses do occur, WorkSafeBC makes entitlement decisions about compensation benefits. We administer health care and wage-loss benefits, permanent disability benefits, and survivor benefits. We also work with external health care partners, including physiotherapists, physicians, and psychologists, to help rehabilitate injured workers and return them to safe, lasting employment.

Maintaining the system's financial sustainability

WorkSafeBC assesses and collects employer premiums and invests those funds to cover current and future costs of compensation benefits, as well as the costs of administering the workers' compensation system. We are committed to sound financial management, with programs and strategies in place to manage costs and investment returns to maintain the long-term financial sustainability of the system.

Ensuring ethics and integrity are paramount

Within WorkSafeBC, ethics and integrity govern our daily work. Internally, we use various means to maintain checks and balances and strive for fairness in everything we do. As the first level of appeal, our Review Division provides a simplified and flexible process for obtaining an independent review of specific decisions. Our Fair Practices Office serves as an independent and impartial source of assistance for individuals navigating the workers' compensation system. As much of the information our team deals with is confidential, we have an office dedicated to ensuring we meet our obligations under the Freedom of Information and Protection of Privacy Act (FIPPA).

WorkSafeBC is accountable for our performance and results — the Board of Directors engages an independent firm to perform an external audit of our annual report, including the key performance indicators and financial statements.

We also have an Internal Audit department that supports the Board of Directors, Audit Committee, and senior management by providing independent and objective assurances. Our Board of Directors includes broad and balanced representation from stakeholders in the compensation system as a whole.

Image H-03715 courtesy of the Royal BC Museum and Archives

Operational Highlights

Provincial injury rate

A reduction of the provincial injury rate of just 1.0 percent results in approximately 494 fewer injured workers. See page 30 for further discussion.

Top five incident types

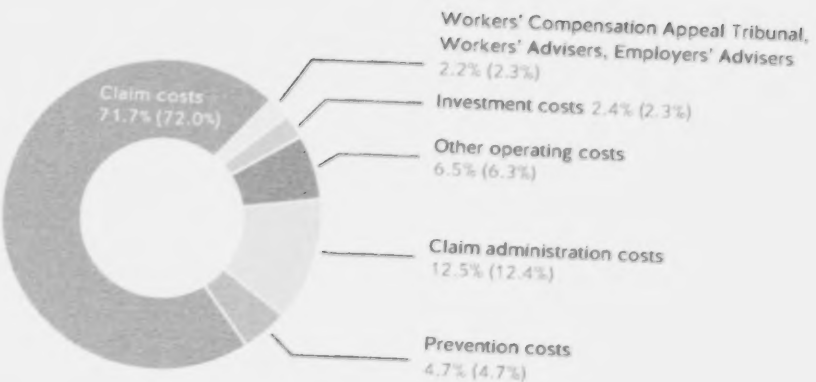
	2015	2016
Overexertion, bodily motion	41.0%	40.7%
Struck by	14.9%	14.7%
Fall on same level	11.5%	12.3%
Fall from a height	8.9%	8.9%
Struck against	6.6%	6.5%

Premium rates

Premium rates have been discounted and capped in order to return an accumulated surplus and minimize cost volatility to employers. See page 68.

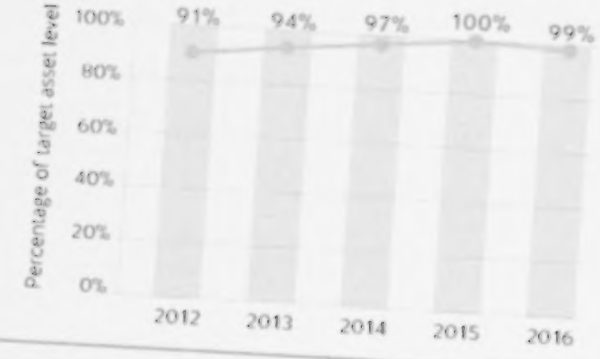
Breakdown of 2016 expenses (2015)

The majority of our expenses are made up of claim and claim administration costs. These costs include compensation payments to injured workers and/or their families, health care, and rehabilitation costs. Remaining expenses are general operating costs to administer the *Workers Compensation Act*. See Management Discussion and Analysis, pages 72-74, for further discussion.



Financial strength

The primary indicator of WorkSafeBC's financial strength is total assets held as a percentage of a specific target asset level. Set by our Board of Directors, the target level provides capital reserves to ensure the security of future worker benefits. See page 52.



Service to injured workers

WorkSafeBC is committed to delivering responsive and caring service that meets or exceeds the expectations of injured workers. See page 46.

"All my interactions with them (WorkSafeBC) have been positive and they've been very helpful in organizing my physiotherapy and return-to-work programs."

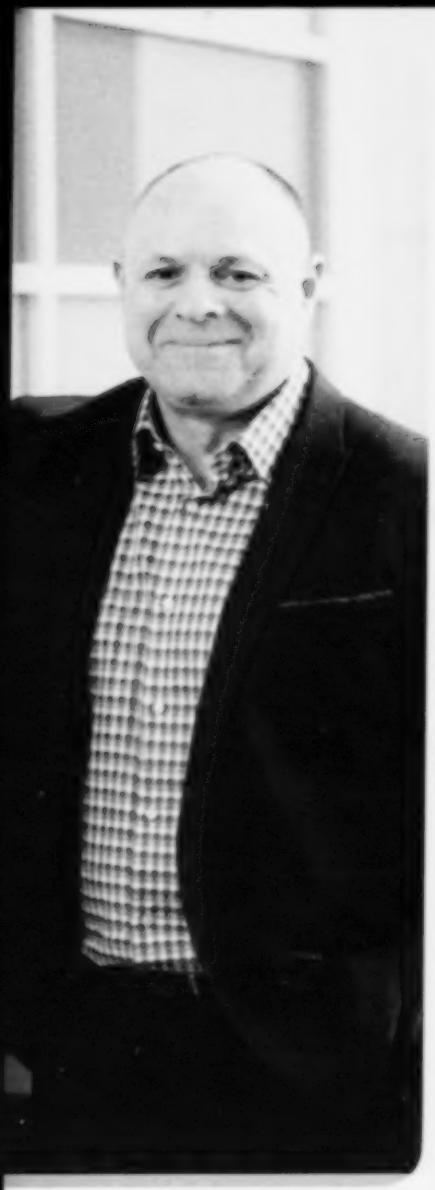
— Surveyed worker, wood and paper products industry, injured October 2016

Service to employers

WorkSafeBC is committed to providing excellent customer service to employers through our core functions of prevention, assessment, and compensation. See page 48.

"The information presented on the web site is detailed, educational, and concise. When I talk to someone, they are very professional, courteous, and knowledgeable. If they don't have the answer to my question, they make sure someone who does calls me back."

— Surveyed employer, service sector large, high-risk employer



John Beckett, Chair

In conversation with the Chair and the President

Q. What were some of WorkSafeBC's successes in 2016?

Efforts by the WorkSafeBC Board of Directors, executive team, and staff, in partnership with stakeholders in workplace health and safety, continued to positively influence the provincial injury rate. This trend means more of B.C.'s workers returned home safely from work at the end of their workdays.

Our financial performance over recent years has provided an environment for a stable average base premium rate. In 2016, our funded position allowed us to reduce the average base premium rate in 2017 — welcome news for B.C.'s employers.

Changes to the *Workers Compensation Act* in 2015 provided additional tools and expanded powers to promote and enforce occupational health and safety compliance in B.C.'s workplaces. Through these expanded powers, in 2016 officers issued more than 470 stop work orders. In addition, employers entered into 43 voluntary Occupational Health and Safety Compliance Agreements to address situations that were not high risk. Since coming into effect, no employers have been found to have contravened their agreements. The 2015 legislative amendments also ensure that workers and employers are better engaged in the Joint Health and Safety Committee process to improve workplace safety and health.

Q. How did WorkSafeBC perform against its key performance indicators?

We are pleased to report all 10 of WorkSafeBC's key performance indicator targets were met in 2016. Included in our performance indicators are important commitments to assist injured workers in returning to work. As part of our commitment, we have seen significant success for injured workers through our vocational rehabilitation program. Through various partnerships with employers, unions, and health care providers, we've also been able to create return-to-work programs that better address the individual needs of workers.

Q: You have touched on the lower provincial injury rate and increased return-to-work outcomes for injured workers. What impact do these results have on B.C.'s workers and employers?

A lower provincial injury rate and earlier return-to-work intervention after a workplace injury have a positive impact for workers. While better prevention leads to fewer injuries and reflects healthier and safer workplaces for workers, effective return-to-work outcomes support a continued quality of life following a workplace injury. Assisting workers in returning to work — with the support of their employers — also helps employers regain productivity from lost workdays and reduce overall claim costs.

Q: What specific challenges did WorkSafeBC address in 2016?

In 2016, we maintained a strong focus on our key goals and priorities and achieved strong results across all performance measures. The long-term financial sustainability of the workers' compensation system remains a key priority in ensuring we are well positioned to meet the needs of injured workers today — and in the future.

Psychological injuries, defined as mental disorders in the *Workers Compensation Act*, remain a challenge for workers recovering from these injuries. Since 2012, our Mental Health Claims Unit has worked to address the unique and complex nature of these injuries. Our experience shows that return-to-work outcomes for workers with mental health disorders are much lower due to the complexity of such injuries. Through the Mental Health Claims Unit, we have continued expanding services to meet individual worker needs. Going forward, we will also continue to rely upon medical research and expertise to support workers experiencing work-related mental health injuries.

Diana Miles, President and CEO

Occupational diseases remain the single leading cause of work-related deaths in B.C. We continue to see an increased number of deaths resulting from asbestos exposure. In 2016, we centred our asbestos initiatives on residential demolition/renovation and on institutional, commercial, and industrial construction. The Residential Asbestos Enforcement Team completed more than 200 residential or renovation worksite inspections aimed at reducing worker exposure to asbestos. Our public campaign was directed at owners of single family homes built before 1990; it shared critical education about asbestos and reducing asbestos exposure with those working in residential construction. While we cannot change asbestos-related exposure from decades ago, we can enforce effective asbestos management plans so future occupational disease and work-related deaths can be prevented.

Q: What lies ahead in 2017?

The coming year recognizes the 100th anniversary of protecting workers and employers in B.C. As we reflect on the changing world of work over those 100 years and how workers' compensation has evolved, and as we consider the future, we must continue to focus on the value WorkSafeBC brings to workers, workplaces, and the province. In 2017, the Board of Directors will be engaging with our Executive team to set the course for the organization's next five-year strategic plan — through 2022. We will be looking ahead to future changes and challenges, as well as ensuring we continue to focus on key fundamentals that support the success of the workers' compensation system.

We will continue targeting our prevention initiatives to high-risk industries, focusing on areas where the most serious injuries can occur. Prevention teams will continue their proactive enforcement to help employers of all sizes with dedicated programs that support healthy and safe workplaces.

Claim management for injured workers and their employers will be supported through targeted, timely, durable, and voluntary return-to-work initiatives. These and other strategies will be further expanded upon in 2017 as we develop our new strategic plan.

As we look to the future, we'll also be ensuring the necessary information technology infrastructure is in place so WorkSafeBC can remain current and responsive in this fast-paced, ever-changing technological world. Ultimately, the steps we take will reflect our commitment to a singular overarching goal: a province free from workplace injury, disease, and death.

As we celebrate our first 100 years of service, we look forward to protecting workers and serving the employers of British Columbia over the next 100 years.

Governance — WorkSafeBC Board of Directors

Tazeem Mather (on picture)

Vice-chair

Public interest representative
ICD.D

Appointed November 2010; term concluded December 1, 2016

Corporate director, executive coach, and senior consultant with Watson's Management Consultants

Jim Cessford* (on picture)

Law enforcement representative
M.O.M.

Appointed September 2015

Former chief of the Delta Police Department, former president of both the Municipal Chiefs of Police and the BC Association of Chiefs of Police

Lynn Bueckert

Worker representative

Appointed January 2015

Director, assistant to the president with the BC Federation of Labour; former director of occupational health and safety with the BC Federation of Labour

Left to right: Lynn Bueckert, Lillian White, Diana Miles, Alan Cooke

Lillian White

Employer representative
CPA, CGA

Appointed January 2015

President of Teeco Safety, director and chair of the Finance Committee for Columbia Power Corporation, served as chair of the BC Assessment Authority

Diana Miles

President and Chief Executive Officer
BA, CPHR

***Ex officio* member**

Previously WorkSafeBC, senior vice president, Women and Employer Services, senior management positions in the private sector, governor of The Canadian Centre for Occupational Health and Safety

Alan Cooke

Actuary
FCIA, FSA

Appointed December 2012

Former principal at Mercer, trustee of the Healthcare Benefit Trust, director of the Canadian Institute of Actuaries, former chair of the International Section of the Society of Actuaries

John Beckett

Chair
CRSP, CPHR, MBA

Appointed Chair December 2015

(Director since January 2015)

Vice-president of BC Maritime Employers Association, part adjunct professor at UBC and BCIT, Canadian Centre for Occupational Health and Safety board member, member of the federal Occupational Health and Safety Advisory Committee

*Stepped down April 23, 2016, reappointed December 1, 2016.

John Beckett, Brooks Patterson, Louise Yako, Margaret McNeil, Kevin Ramsay

Brooks Patterson

Occupational health and safety representative, CRSP, C.Dir

Appointed September 2015

Vice president, H&R and Loss Control for NorLand Limited; secretary/treasurer of SkillPlan; past chair of the BC Construction Safety Alliance

Louise Yako

Public interest representative
BJ, MBA

Appointed December 2016

President and chief executive officer of the BC Trucking Association; regional vice-president, Canadian Trucking Alliance; executive committee member, Asia Pacific Gateway Skills Table

Margaret McNeil

Health care representative
BScN, MScN

Appointed December 2014

Chief executive officer of Canuck Place Children's Hospice; former vice president Operations at BC Housing; senior roles with the Vancouver Island Health Authority and the BC Ministry of Health

Kevin Ramsay

Public interest representative

Appointed July 2016

Former city manager of the City of Port Moody; previous roles as chief administrative officer at the District of Squamish and general manager of human resources at the City of Vancouver

Duties

In accordance with the *Workers Compensation Act* (the Act), the Board of Directors must:

- Set and revise, as necessary, the policies of the Board of Directors, including policies respecting compensation, assessment, rehabilitation, and occupational health and safety
- Set and supervise the direction of WorkSafeBC
- Select the president of WorkSafeBC and determine the president's functions
- Approve the operating and capital budgets of WorkSafeBC
- Establish policies and accounting systems to ensure adequate funding of the Accident Fund
- Approve major programs and expenditures of WorkSafeBC
- Approve the investment of WorkSafeBC funds in accordance with requirements imposed under the Act
- Plan for the future of WorkSafeBC
- Enact bylaws and pass resolutions for the conduct of WorkSafeBC's business and the functions of the Board of Directors, including enacting bylaws regarding the manner in which the policies of the Board of Directors are to be published
- Each year, provide the Minister Responsible for Labour with a service plan that addresses the three-year period starting on January 1 of that year and achieves the following:[1]
  - Sets out WorkSafeBC's priorities
  - Identifies specific objectives and performance measures for WorkSafeBC
  - Provides a fiscal forecast for WorkSafeBC, including a statement of all material assumptions and policy decisions underlying the forecast
  - Compares actual results with expected results identified in the previous year's service plan
  - Presents other information WorkSafeBC considers appropriate

Priorities of the Board of Directors[2]

- Eliminate serious injury and death in the workplace
- Improve return-to-work outcomes and prevent avoidable disability
- Maintain an effectively operating business
- Maintain a system with long-term sustainability that contributes to the societal benefits envisaged by the historic compromise
- Respond effectively to changing social and economic realities

Major accomplishments

In 2016, major accomplishments of the WorkSafeBC Board of Directors included:

- Approving a comprehensive review of the Partners in Injury and Disability Prevention Program
- Revising Occupational Health and Safety (OHS) penalty policies
- Approving several amendments to the Occupational Health and Safety Regulation, including new provisions related to Joint Health and Safety Committees
- Approving a comprehensive work plan for compensation, assessment, and OHS issues through 2017
- Revising assessable payroll policies

Committees

The Board of Directors held eight meetings in 2016. Board committees met as follows:

- Audit Committee — seven times
- Human Resources and Compensation Committee — twice
- Policy, Regulation, and Governance Committee — five times

Decisions

The Board of Directors makes decisions on policy and regulation affecting the workers and employers of British Columbia. Board decisions can affect the premium rates employers pay and the level of benefits workers receive. As part of its commitment to remaining open and accountable to its stakeholders and the public, WorkSafeBC posts decisions and formal resolutions at worksafebc.com.

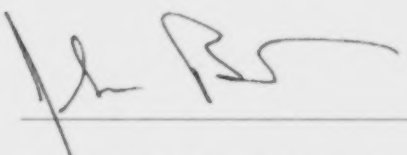
Accountability

This *2016 Annual Report and 2017-2019 Service Plan* was prepared under our direction in accordance with the *Workers Compensation Act*. WorkSafeBC is accountable for the results achieved, selecting the performance indicators, and how our performance has been reported.

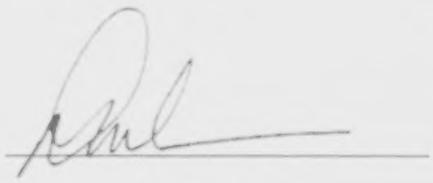
The information contained in this document reflects WorkSafeBC's actual performance for the 12 months beginning January 1, 2016 and ending December 31, 2016. All material fiscal assumptions and policy decisions up to April 19, 2017 have been considered in developing this publication.

This annual report and service plan presents a comprehensive picture of our actual performance against targets set in the *2015 Annual Report and 2016-2018 Service Plan*. It also includes estimates and significant interpretive information representing the best judgment of WorkSafeBC management. The indicators reported are consistent with the organization's mission, goals, and objectives, and focus on aspects critical to understanding WorkSafeBC's performance. We are responsible for ensuring WorkSafeBC's performance information is measured accurately and in a timely manner. Any significant limitations in performance data reliability have been identified and explained. This report and service plan has been prepared in accordance with the BC Performance Reporting Principles[1] (see page 20) and is intended for a general audience. More detailed information about WorkSafeBC is available at worksafebc.com.

On behalf of the Board of Directors and management of WorkSafeBC,



John Beckett, CRSP, CPHR, MBA
Chair, Board of Directors
WorkSafeBC



Diana Miles, BA, CPHR
President and Chief Executive Officer
WorkSafeBC

Innovation

Business owners use entrepreneurial instincts to reduce risk of repetitive strain injuries

The entrepreneurial spirit that led Tara Black and Marion Scott to start their own business is now driving their quest to reduce repetitive strain injuries (RSI) in small bakeries.

They co-own Origin Gluten-Free Bakery in Victoria and have 26 employees in two shops. Wanting to protect their staff, they've been working with Camosun College to invent a machine that would eliminate much of the manual labour that can cause RSIs in bakers.

"Being a baker is a physically and mentally demanding job," says Tara Black. "We stand for eight hours a day, heft sacks of flour, and — in small shops like Origin — mix and spread much of the dough manually."

"We're a traditional bakery in every sense," she says, "because it's all hand-made." Workers blend and spread enough dough for about 3,000 cookies a week. "Our staff have to scoop a mixture the consistency of ice cream. They end up with really sore arms and wrists."

Repetitive motions such as mixing and scooping can cause pain in muscles, nerves, and tendons. If not treated, RSIs can have serious impacts.

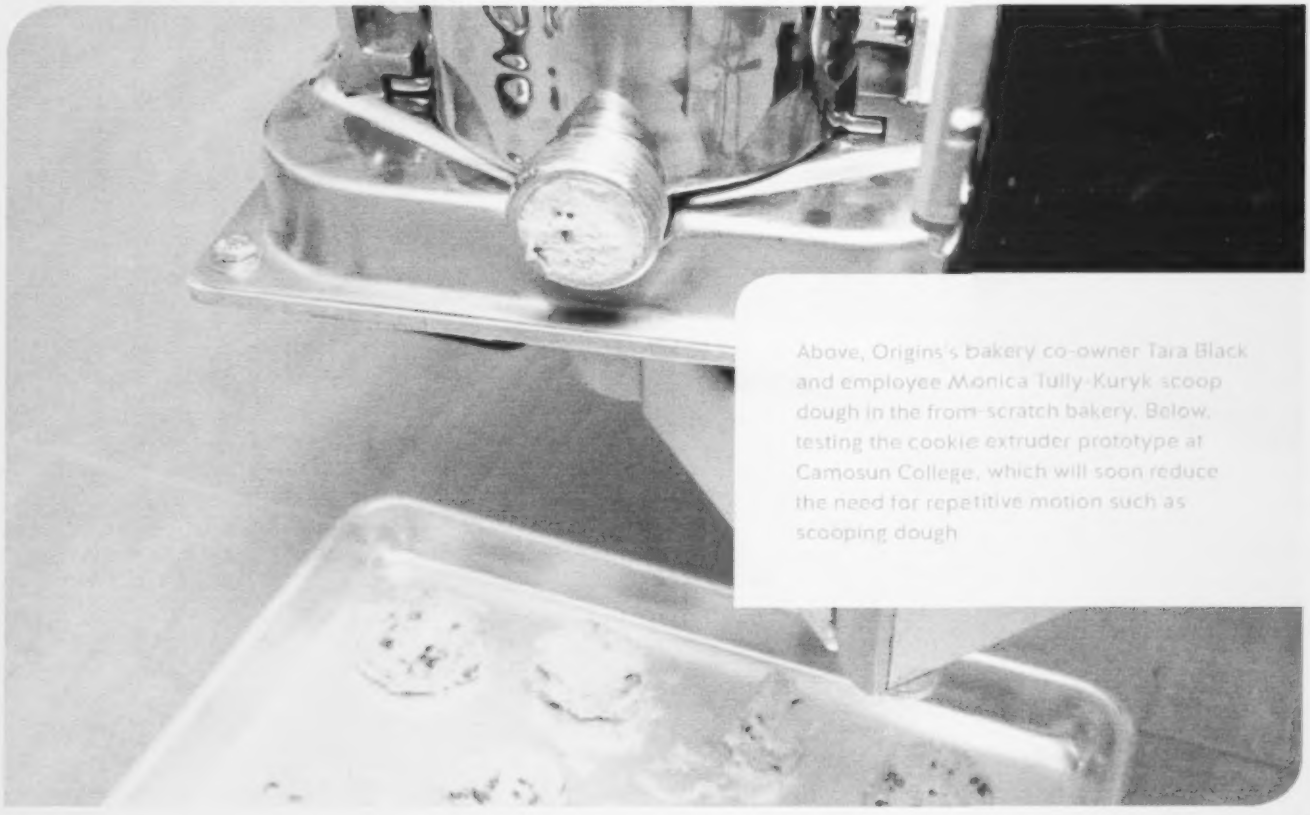
Origin's invention could reduce the risk of these types of injuries, especially in small bakeries that can't afford the machinery needed for mass production. Their cookie extruder eliminates the stirring and scooping needed to make baked goods, reducing the strain on workers' arms and wrists.

The Origin founders have spent five years working on the extruder in partnership with Camosun Innovates, the college's research and innovation division. "They needed technical help," explains Jamie VanDenBossche, manager of Camosun Innovates. Students and the college's team of experts made design suggestions then built and refined the prototypes. They also secured $25,000 in federal research funding to help complete the project.

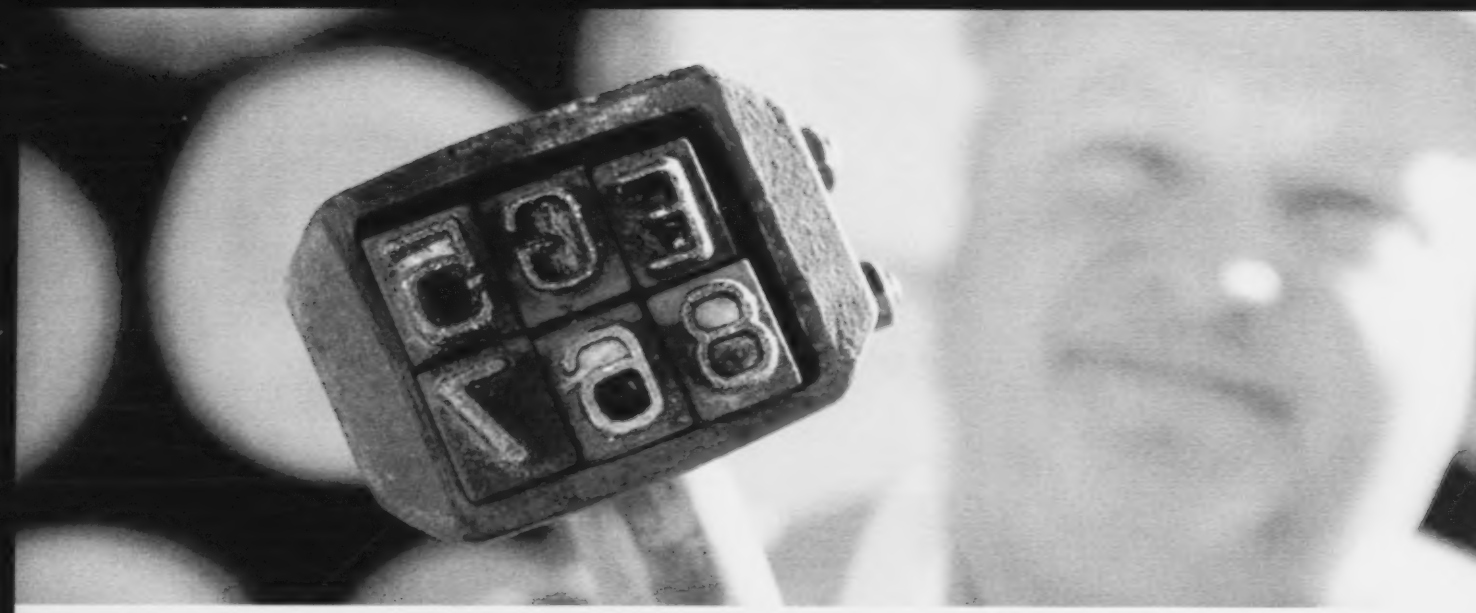
The latest prototype will be lab-tested in the spring of 2017. After that, the extruder will get a live test in Origin's bakery.

"Here's an employer who evaluated a RSI hazard and went looking for a solution that would benefit their workers," says Glen McIntosh, manager of new and young workers and small business with WorkSafeBC. "But better still is that the engineered solution they are working on may also be an option for others in their industry."

Origin's founders plan to commercialize their invention. "Our goal isn't just to reduce the strain for our own employees," Black says. She also envisions bottom-line benefits for her business, including increased productivity, less wastage, and revenue from sales of the extruder — a positive benefit for all.



Above, Origins's bakery co-owner Tara Black and employee Monica Tully-Kuryk scoop dough in the from-scratch bakery. Below, testing the cookie extruder prototype at Camosun College, which will soon reduce the need for repetitive motion such as scooping dough



Financial Context

The financial information in this annual report and service plan conforms to the audited consolidated financial statements, except for additional financial information noted as being based on the smoothed accounting[4] approach.

In accordance with International Financial Reporting Standards (IFRS), our consolidated financial statements reflect the market value of investments and fair value of post-employment employee benefit plan assets and liabilities at the end of the reporting year (fair value accounting). The statements provide a point-in-time reading of financial assets and liabilities. Short-term financial market fluctuations are reflected.

To avoid rate fluctuations generated by financial market volatility, WorkSafeBC sets premium rates using smoothed accounting. Investment income and actuarial gains or losses relating to WorkSafeBC's employee benefit plan assets and liabilities are amortized over a five-year period. Under smoothed accounting, the effect of capital market volatility on financial results is moderated. This approach considers the unique business requirements of Canadian workers' compensation systems — including the need for pricing stability (for employer premium rates) and benefit sustainability (for injured workers and their dependants).

A 10-year summary table (unaudited), prepared based on the smoothed accounting approach, is available at worksafebc.com/annualreport.

Portfolio investments asset allocation 2016 (2015)

Fixed-income 23% (22%)

Inflation-sensitive assets 26% (25%)

Equities 47% (49%)

Other 4% (4%)

The investment portfolio is diversified, with a long-term objective to earn a return sufficient to cover claim liabilities.

Prudent investment promotes sustainability

To ensure the long-term financial sustainability of the workers' compensation system in B.C., the *Workers Compensation Act* stipulates that present and anticipated future costs arising from an injury in a given year should be collected through assessments on employers whose accounts are active in that year.

WorkSafeBC also seeks to promote the sustainability of the workers' compensation system through prudent investment of the Accident Fund.[5] The primary determinant of the Accident Fund's risk and expected return is the asset mix of its investment portfolio; this is determined by our Board of Directors with the advice of an Investment Committee that includes five independent external investment experts, WorkSafeBC's president and chief executive officer, chief financial officer, and Audit Committee chair. The Investment Committee's long-term objective is to earn a real rate of return (the rate of return over inflation) of 3.5 percent — slightly higher than the 3.0 percent discount rate used to determine the fund's actuarial liability.

The Board of Directors regularly reviews and updates a statement of investment policies and goals for the investment portfolio. Among other objectives, this document sets out an asset allocation policy to guide investment strategies. See the Management Discussion and Analysis section on page 70 for further information on the investment portfolio asset allocation.

Funding policy offers protection

We have a Capital Adequacy Reserve to address WorkSafeBC's long-term capital requirements. This reserve offers greater security for worker benefits and reduces premium rate volatility by strengthening the organization's ability to withstand economic and demographic uncertainties (see Note 11 of the consolidated financial statements, page 124).

WorkSafeBC's financial strength can be assessed using two main indicators. The primary indicator is the ratio of total assets to a specific target asset level as defined in key performance indicator (KPI) #8, page 52. This indicator tracks our ability to withstand the impact of large financial shocks, such as the stock market losses of 2008 and 2011. At the end of 2016, this indicator was at 99 percent[6] (2015: 100 percent) of the target asset level. The goal for this indicator is 100 percent of the target asset level. The second indicator determines the funding level, or ratio of assets to liabilities, an indicator of financial strength used by other workers' compensation boards in Canada (see Appendix A, page 136). At year-end 2016, WorkSafeBC's funding level was 142 percent (2015: 138 percent).

Our Performance

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April 21, 2017

Independent Auditor's Report

To the Board of Directors of WorkSafeBC

We have been engaged to provide an audit opinion on whether the 2016 Annual Report and 2017-2019 Service Plan (the annual report) of the Workers' Compensation Board of British Columbia (WorkSafeBC) presents fairly, in all material respects, WorkSafeBC's performance in accordance with the eight BC Reporting Principles (the reporting principles) for the year ended December 31, 2016.

The reporting principles were endorsed by the Legislative Assembly's Select Standing Committee on Public Accounts in 2003 for use by public sector organizations in British Columbia and are considered in the appendix to this report.

A separate audit, to determine if WorkSafeBC's consolidated financial statements for the year ended December 31, 2016 (the financial statements) have been prepared and reported in accordance with International Financial Reporting Standards, was also conducted; as a result, this report does not address WorkSafeBC's financial statements.

Management Responsibility
Management is responsible for the preparation of the annual report including developing and fairly presenting the annual report as a whole in accordance with the reporting principles. This responsibility includes:

- designing, implementing and maintaining internal controls relevant to the preparation and presentation of the information included in the annual report to conform with the reporting principles and criteria that is free from material misstatements, whether due to fraud or error;
- developing the performance targets and reporting performance against those targets; and
- preparing the information to confirm with the reporting principles and criteria.

Our responsibility
We conducted our audit in accordance with Canadian Standard on Assurance Engagements 3000, *Attestation Engagements Other Than Audits or Reviews of Historical Financial Information*, set out in the CPA Handbook – Assurance. Those standards require that we plan and perform an audit to obtain reasonable assurance about whether the annual report is presented fairly, in all material respects, in accordance with the reporting principles. An audit of the annual report includes examining, on a test basis, evidence supporting the amounts and disclosures in the annual report, assessing estimates made by WorkSafeBC, evaluating the overall presentation of the annual report, and performing such other procedures as we consider necessary in the circumstances.

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership

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Inherent limitations

As called for by the reporting principles, the annual report contains a number of representations from management concerning the appropriateness of the goals, objectives, and targets established by WorkSafeBC, explanations of the adequacy of planned and actual performance, and expectations for the future. Such representations are the opinions of management and inherently cannot be subject to independent verification. Therefore, our examination was limited to ensuring the annual report contains those representations called for by the reporting principles and, where the information was derived from the WorkSafeBC financial statements, we ensured that this information was consistent with those financial statements.

Opinion

In our opinion, the annual report presents fairly, in all material respects, the performance of WorkSafeBC for the year ended December 31, 2016 in accordance with the reporting principles. The following appendix contains details supporting our conclusion for each of the reporting principles, and is an integral part of our opinion.

PricewaterhouseCoopers LLP

Chartered Professional Accountants

pwc

Appendix – Detailed Observations

Principle 1 – Explain the Public Purpose Served

The report explains WorkSafeBC's public purpose, enabling legislation, and mission. Core business areas, services, clients, and stakeholders are described, as is the role of partners. The report explains WorkSafeBC's governance structure and external accountabilities. The report outlines WorkSafeBC's values that guide its service delivery (guiding principles and premises).

Principle 2 – Link Goals and Results

The report explains the chain of events from mission to goals, objectives, and strategies through to performance indicators. The relevance of these indicators is explained in the context of WorkSafeBC's goals and objectives, and in relation to issues of concern to an external audience (the public and legislators). Performance measurement focuses on outcomes in the short and long term, explaining how short-term achievements impact long-term results. Variances between planned and actual results are explained and related to expectations and plans for the future.

Principle 3 – Focus on the Few, Critical Aspects of Performance

The report states why goals, objectives, and 10 key objective/performance indicators are important to WorkSafeBC and to an external reader. The performance information provides a clear performance story. Key results are clear and apparent.

Principle 4 – Relate Results to Risk and Capacity

The report summarizes key risks and capacity issues in relation to each key objective/performance indicator, their impact on results, and strategies for dealing with them in the future. Issues related to organization-wide financial, infrastructure and technology risks and capacity are discussed separately.

Principle 5 – Link Resources, Strategies and Results

Revenue and expense variances are described as part of management's commentary on the financial statements. Costs are related to key business activities and goals. Planned and actual amounts are provided for key revenue and expense items. Critical measures of efficiency are identified — administrative efficiency is the focus of one key objective/performance indicator, and operational financial performance is the focus of another.

Principle 6 – Provide Comparative Information

Actual performance is clearly reported in relation to the service plan. Current performance is graphically related to historic trends, and related to relevant industry benchmarks. Inconsistencies in trend data are fully explained, and future performance targets are explained in the context of current performance.

Principle 7 – Present Credible Information, Fairly Interpreted

We are providing an audit level of assurance that the data supporting the 10 key objective/performance indicators is reliable. Systems to compile performance indicator data have been established and documented, although we do not provide assurance on the effectiveness of the control environment. The report is reasonably concise and specialised terminology has been largely avoided. We note, however, that key objective/performance indicator #8, Achieve 100% of Target Asset Level, is inherently complicated and may be difficult for some readers of the report to understand.

Principle 8 – Disclose the Basis for Key Reporting Judgments

The report provides explanations for how performance indicators are derived and the period to which data relates. WorkSafeBC's Chair and Chief Executive Officer have affirmed their ownership of the report, and their responsibility for ensuring the accuracy and timeliness of performance information. The report explains the importance and relevance of goals and objectives, and it discusses how targets are selected.

Our Performance

Measuring our performance

WorkSafeBC uses a set of objectives and associated key performance indicators (KPIs), identified by our Board of Directors, that allow us to track and benchmark our progress over time. These objectives and performance indicators guide our planning and decision making, helping us meet our overall strategic goals (see page 26). Through the annual reporting process, they enable us to remain open and accountable to British Columbians.

These 10 KPIs reflect our commitment to reporting performance in terms of a balanced scorecard. By looking at both financial and performance-based indicators, we gain a more complete picture of our overall performance. Throughout the year, we monitor and assess each KPI, tracking our progress against targeted goals. Most indicators are updated monthly or quarterly, allowing us to adapt to changes and — when necessary — make corrective policy, program, or operational adjustments against targeted goals.

Consistency in measurement

Though some definitions and calculations have changed over time, eight of the 10 key performance indicators selected for this year's annual report and service plan have been used since 2003. The exceptions are KPI #2 (introduced in 2011) and KPI #8 (introduced in 2008). If an indicator changes after the annual report and service plan has been submitted to the Minister Responsible for Labour, the change is detailed in the following year's report.

Linking priorities and performance

Approved by WorkSafeBC's Board of Directors in 2011, *Safe Work & Outstanding Service* defines the broad strategies and actions for achieving our objectives while ensuring our efforts and resources align with established goals. The strategic plan also affirms the values and commitments guiding our organization. The table on page 26 outlines the linkages between and among KPIs to strategic goals in keeping with the *Safe Work & Outstanding Service* plan. Our Board of Directors will be working on an updated strategic plan in the coming year. For more information, see page 8.

Service plan reporting

As part of our audited annual report, WorkSafeBC must provide the Minister Responsible for Labour with a service plan by April 30 each year. Our service plan is incorporated throughout this publication and includes:

- priorities of the Board of Directors, page 12
- specific objectives and performance measures, including targets for the next three years, page 30–58
- a fiscal forecast, see KPI #8, page 52
- actual results compared to targets identified in the previous year's service plan, page 27

Did you know?

WorkSafeBC safety officers **Lindy Monahan** and **Mary-Jaye Salmon** have been mentoring young women in trades at Okanagan College on the importance of workplace health and safety.

Annual target-setting

In setting annual targets, WorkSafeBC looks to improve. In some cases, however, targets we set for future years may be the same or less favourable than levels achieved the previous year. This can happen when factors contributing to past performance have changed. We consider desired service levels, operational requirements, and resources available for achieving short- and long-term goals. We also look at environmental, economic, and other external factors that may affect performance, as well as our potential to manage or control those factors through processes, programs, and initiatives.

Forward-looking information

This annual report and service plan contains forward-looking information, including assertions regarding WorkSafeBC's anticipated performance. These assertions are subject to risks and uncertainties that may cause actual results to differ from those outlined in the forward-looking information. The Management Discussion and Analysis section includes a discussion of key strategic, financial, and operational risk factors affecting current and future performance.

Ensuring data reliability

Each year, our annual report is audited with the intention, in part, to verify the accuracy of our results and identify areas for improvement; this audit is in addition to the audit of our consolidated financial statements. For more information on the auditor's report, see pages 20–22.

Comparing results over time

Each KPI cited in this report includes a comparison to past results. While criteria for measuring performance generally remain the same from year to year, to properly interpret results over time the overall operating environment must be considered. For this report, results have been compared from 2012–2016 with targets set for 2017–2019.

Comparing results with other workers' compensation organizations

In Canada, each workers' compensation organization uses different means to collect data and measure performance due to differing legal requirements, policies, goals, governing structures, and operating procedures. These variations can make it difficult to compare results from one jurisdiction to another or discern national trends. See Appendix A, page 134, for more information.

Linking Priorities and Performance

Our strategic plan reflects refinements to previous strategic direction and provides updated priorities, goals, and objectives for WorkSafeBC. In choosing key performance indicators (KPIs) to measure our progress, the Board of Directors considers the following:

- Relevance of each indicator to WorkSafeBC's strategic goals
- Validity of the indicators (do they measure what they are intended to measure?)
- Availability and reliability of data
- Clarity, comprehensiveness, and transparency of the indicators
- Year-over-year comparability

2012–2017 Strategic Plan*

Board of Directors — Priorities

- Eliminate serious injury and death in the workplace
- Improve return-to-work outcomes and prevent avoidable disability
- Respond effectively to changing social and economic realities
- Maintain a system with long-term sustainability that contributes to the societal benefits envisaged by the historic compromise
- Maintain an effectively operating business

Goals

Goal 1: Foster the improvement of occupational health and safety in workplaces and communities

Goal 2a: Improve service to stakeholders — improve return-to-work outcomes, disability prevention, overall customer service, accessibility, and public confidence

Goal 2b: Improve service to stakeholders — improve adjudicative decision making throughout the organization, ensuring stakeholders receive their full legal entitlements

Goal 3: Maintain the cost-effectiveness and accountability of the services WorkSafeBC delivers

Goal 4: Maintain financial security, sustainability, and stability

Operational objectives

- Preventing serious injury
- Championing return to work and preventing avoidable disability
- Providing outstanding customer service to workers and employers
- Learning, leading, and sharing
- Ensuring the long-term financial stability of the system
- Engaging and supporting the WorkSafeBC team

Key performance indicators (KPIs)

- Injury rate (number of claims first accepted per 100 person-years of employment) (KPI #1)
- Return to work
  a) Improve the timeliness of safe, durable return to work for workers on short-term disability benefits (KPI #2)
  b) Improve return-to-work outcomes for workers in vocational rehabilitation (KPI #3)
- Number of days required for WorkSafeBC to send first wage-loss payments to short-term disability claimants from the date of their disablement (KPI #4)
- Workers' survey results: injured workers' rating of overall experience (KPI #5)
- Employers' survey results: employers' rating of overall experience (KPI #6)
- Public Contribution Index: maintain or enhance a high level of public confidence (KPI #7)
- Proportion of issues leading to decision changes as a result of legal and/or policy errors (Review Division and Workers' Compensation Appeal Tribunal (WCAT) levels) (KPI #10)
- Annual administration costs per $100 of assessable payroll collected from employers (KPI #9)
- Percentage of the target asset level achieved (KPI #8)

*Safe Work & Outstanding Service — WorkSafeBC's Strategic Plan 2012–2017 (WorkSafeBC, December 7, 2011) worksafebc.com, search Safe Work and Outstanding Service

Performance targets and results at a glance

Key performance indicator		2016 target	2016 result	2017 target	2018 target	2019 target
1. Reduce the provincial injury rate (number of claims first accepted per 100 person-years of employment)		2.30 or less	2.21	2.25 or less*	2.25 or less*	2.25 or less
2. Improve return to work (percentage of workers returning to work within 26 weeks from injury date)		82.0%	82.7%	82.0%	82.0%	82.0%
3. Improve return-to-work outcomes for workers in vocational rehabilitation (percentage of vocational rehabilitation clients who successfully return to work)		78.0%	80.6%	79.0%*	79.0%*	79.0%
4. Improve timeliness of initial short-term disability payments (number of days from disablement date to first payment)		18.0 days	17.6 days	18.0 days	17.5 days	17.5 days
5. Improve injured workers' rating of overall experience (percentage who rate overall experience as good or very good)		77% good or very good	79% good or very good	77% good or very good	77% good or very good	77% good or very good
6. Improve employers' rating of overall experience (percentage who rate overall experience as good or very good)		81% good or very good	82% good or very good	81% good or very good	81% good or very good	81% good or very good
7. Raise public confidence (percentage who rate WorkSafeBC's public contribution as somewhat or very positive)		90% or more	93%	90% or more	90% or more	90% or more
8. Achieve 100 percent of the target asset level (actual asset value as a percentage of target asset level)		97%	99%	97%*	98%*	98%
9. Control administration costs (administration costs per $100 of assessable employer payroll)		$0.51	$0.49	$0.49*	$0.48*	$0.47
10. Improve decision making throughout WorkSafeBC, ensuring consistency with legislation and policy (proportion of claim issues leading to overturned decisions due to error in application of law and/or policy)	**Review Division**	2.0% or less	0.6%	0.9%* or less	0.9%* or less	0.9% or less
	Workers' Compensation Appeal Tribunal (WCAT)	2.5% or less	1.2%	1.5%* or less	1.5%* or less	1.5% or less

*Targets for years 2017 and 2018 have been adjusted from those published in the *2015 Annual Report and 2016–2018 Service Plan*.

WorkSafeBC occupational hygiene officer Geoff Thomson and Bill Penno, production supervisor at Pinnacle Pellet, walk through Pinnacle's Williams Lake plant.

Collaboration

Pinnacle collaboration helps mill own safety

Three years ago, Pinnacle Renewable Energy seemed an unlikely contender to become a role model for occupational health and safety.

The world's third-largest manufacturer of wood pellets, with seven locations and some 300 employees across B.C., Pinnacle was found to be less than 40 percent compliant and had been assessed 15 penalties over a three-year period. After engaging with WorkSafeBC, however, the company has orchestrated a remarkable transformation.

It was Pinnacle CEO Rob McCurdy who took ownership for his company's lacklustre safety record. "I remember when I first came onto site and went out and talked to people in the plant — having fires was just seen as part of the business; that didn't seem right to me." McCurdy took the bold step of reaching out to WorkSafeBC for help back in 2014.

WorkSafeBC occupational safety officer Mike Tasker thought Pinnacle's story would go another way. "I really thought it would go one of two ways, either they would have a catastrophic event, like an explosion, that would hurt or kill one of their people, or we would end up imposing so many sanctions that they wouldn't be able to operate — financially it wouldn't be feasible."

It was clear to Pinnacle they needed to deliver on health and safety. "When we met with WorkSafeBC it was very clear: they were the regulatory body and not going to give us free passes, but they would give us resources to help," says McCurdy.

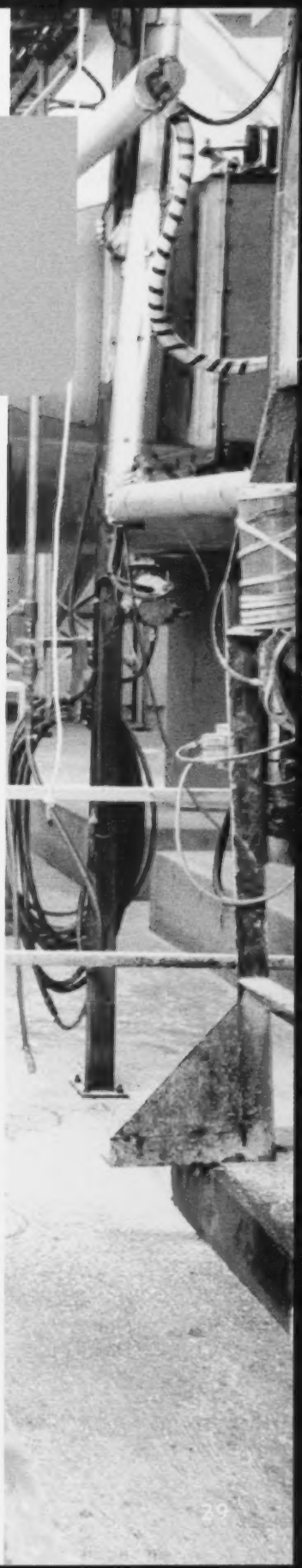
And deliver they did.

Pinnacle named a new director of Health and Safety, revamped its safety management system, and developed its "Owning Safety" program — a roadmap to achieving dramatic improvements across seven focus areas. WorkSafeBC, for its part, conducted baseline inspections of Pinnacle's facilities in spring 2015 and assigned two officers and a manager to liaise with the company at locations around the province.

The results of this unique collaboration have been exemplary. Pinnacle now reports an 80 percent drop in time-loss incidents, and the company has just completed two years accident-free without a single work order issued. The icing on the proverbial cake is that, according to plant manager Greg Lobsinger, 2016 was Pinnacle's best year ever. He explains that success in four succinct words: "Safety makes you money."

"If other industries," he continues, "would engage in a relationship with their governing body like WorkSafeBC and Pinnacle Pellet has done, B.C. would be the safest, most productive place to live, work, and play."

For the full story and to watch a video about Pinnacle's journey to improvement, visit worksafebc.com/annualreport.



Performance Targets and Results

Key performance indicator #1: Reduce the provincial injury rate

The provincial injury rate target is a threshold measure; the lower the result, the better the outcome for workers, employers, and other stakeholders in the workers' compensation system.

*The provincial injury rate estimate for 2016 is preliminary and subject to change. The injury rate is finalized each July; prior-year results are restated to reflect finalized numbers, if necessary.

Importance

At WorkSafeBC, our priority is preventing work-related injury, disease, and death for British Columbians. One way we measure our progress is through the provincial injury rate — the number of claims first accepted by WorkSafeBC per 100 person-years of employment.[7] The lower the provincial injury rate, the lower the human cost of work-related injuries and deaths. For example, a reduction in the injury rate of just 1.0 percent (e.g., from 2.22 to 2.20) results in approximately 494 fewer workers suffering injuries and requiring time off work. In turn, this translates into a reduction of approximately $13 million in claim costs and a gain of 26,700 productive workdays for B.C.'s economy.

Setting targets

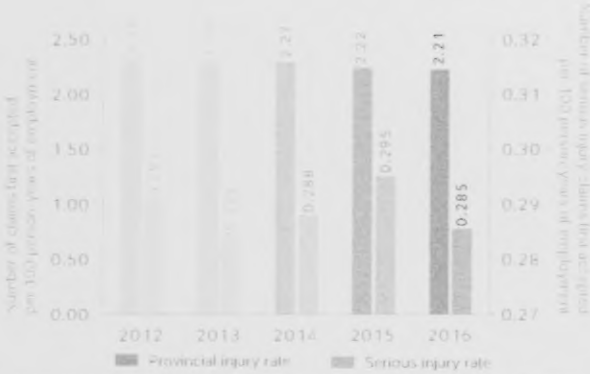
The provincial injury rate represents injuries across all sectors. It is affected by various external factors including changes in economic activity, industry practices, industry mix, and injury risk in each sector. Based on these considerations, the target for the injury rate is set as an upper boundary rather than a precise target. To determine this threshold, we examine current injury rates by sector and estimate the impact that programs, initiatives, and changes may have on the rate in the year ahead; we adjust based on the forecast for employment growth and historical trends. In 2016, the target was set at 2.30 or less. For 2017 through 2019, reflecting the downward trend in the injury rate, the threshold has been lowered to 2.25.

Serious injury rate

Given the life-changing consequences for workers and their families when serious injuries and work-related deaths occur, WorkSafeBC focuses on preventing serious injuries by targeting those industries and risks most likely to cause workers serious harm. To monitor the success of our prevention strategies, WorkSafeBC tracks those claims[8] meeting the criteria for specific injury and disease types[9] — those classified as serious or potentially serious with a long recovery[10] period.

This classification is a subset of the provincial injury rate representing approximately 13 percent of all claims or more than 6,000 injured workers in 2016. This subset includes all work-related deaths.

Provincial injury rate vs. serious injury rate



*The 2016 provincial injury rate is preliminary and subject to change. The serious injury rate for 2016 is as of December 2016.

Performance highlights

Efforts by WorkSafeBC and stakeholders in workplace health and safety continue influencing the provincial injury rate. In 2016, the injury rate was 2.21 — a decrease of 0.01 over 2015 and below the threshold of 2.30.[11] The serious injury rate, a subset of the provincial injury rate, was 0.285 in 2016 and 3 percent lower than in 2015. Despite volatility in recent years' results, the serious injury rate has shown incremental improvements over the long term.

Though the provincial injury rate is below the targeted threshold, in 2016 there were 144 work-related deaths,[12] an increase of 22 over 2015. While this number has grown, B.C.'s workforce has also grown steadily. Deaths resulting from occupational disease account for 59 percent of all work-related deaths during the year — making occupational disease the single leading cause of work-related deaths in British Columbia. Primarily driven by asbestos-related disease resulting from exposure decades earlier, asbestos-related deaths increased from 48 in 2015 to 64 in 2016. Not simply a decades-old concern, asbestos exposure remains a challenge in B.C. workplaces. During the year, more than 400 workers reported being exposed to asbestos — an increase of 22 percent[13] over 2015.

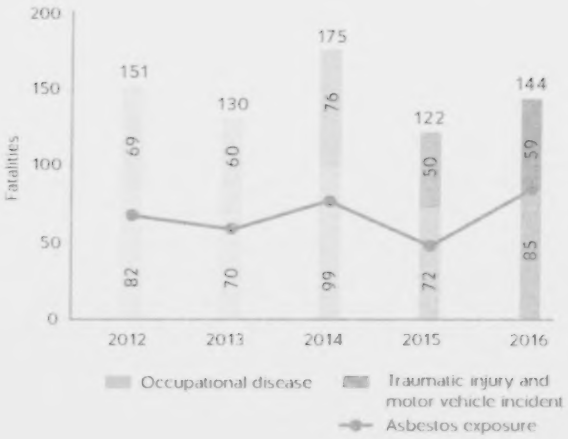
As work-related deaths resulting from traumatic injury can fluctuate significantly year-over-year, patterns or trends can be difficult to determine. In 2016, fatalities from traumatic injuries increased from 50 in 2015 to 59.[14]

Major programs and strategies

Given the complex and diverse range of activities across industry sectors, WorkSafeBC takes a multidisciplinary and holistic approach to preventing work-related injury, disease, and death. This approach includes:

- **Consultation and education** — We work with employers, workers, labour unions, and other partners to improve workplace health and safety for British Columbians.
- **Incentives** — We provide financial incentives to employers for workplace health and safety management systems, return-to-work programs, and demonstrated improvements to safety performance.
- **Compliance and enforcement** — We are mandated to ensure employers comply with the *Workers Compensation Act*, the Occupational Health and Safety (OHS) Regulation, and related policy. During workplace inspections, we employ various tools to ensure compliance, including written warning letters and orders, stop operations orders,[15] compliance agreements,[16] citations,[17] and penalties where necessary. This range allows WorkSafeBC to select the most effective approach for specific circumstances — helping move employers along the continuum of compliance and health and safety improvement.

Work-related deaths, 2012–2016



High-risk strategy and initiatives

Each year, we review industry injury rates and claim statistics to determine the focus of our high-risk strategies and assign resources to identified areas where they would be most effective.

In 2016, injuries arising from the four primary high-risk sectors (construction, health care, forestry, and manufacturing) comprised 46 percent of all accepted claims. Using a combination of consultation, education, and enforcement during the year, efforts continued being channelled to these four sectors as well as three secondary high-risk industry sectors[18] (agriculture, fishing, and oil and gas).[19]

We also identified and targeted high-risk activities or areas within and across these industries through specific initiatives. Some initiatives include:

Combustible dust strategy

Many dusts created during the manufacturing process are combustible, meaning they can catch fire and burn. When fine dust particles combust while airborne, fire can spread rapidly — sometimes leading to an explosion. Therefore, controlling combustible dust levels, especially in sawmills and pellet mills, remains a critical issue.

To mitigate fire and explosion leading to possible catastrophic events, in 2016 we continued our multi-year strategy to support employer compliance in handling combustible dust. Part of this strategy involved conducting inspections — visiting all operating sawmills in the province at least once during the year. Inspections addressed safeguarding and lockout-related health and safety issues, as well as managing combustible wood dust to safe levels. Of those sawmills our team visited, approximately 75 percent received multiple inspections

focused solely on combustible dust. In total, 252 combustible dust inspections were conducted at 123 sawmill locations, 138 more inspections than in 2015. In 246 cases, no combustible dust orders were issued. Six orders for combustible dust-related issues translate into an overall compliance rate of 98 percent at the time of inspection, similar to the 2015 compliance rate of 95 percent.

In addition to focused inspections, WorkSafeBC also partnered with the BC Forest Safety Council (BCFSC), the Manufacturing Safety Alliance of BC (MSABC), and the BC Safety Authority on a comprehensive combustible dust employer education program. With the goal of increasing awareness and education among employers, workers, and contractors in safely managing combustible dust levels, education modules developed in prior years and housed on the Fire Inspection and Prevention Initiative website (fipibc.ca) are being transitioned to BCFSC and MSABC in 2017.

Asbestos strategy

Disease arising from exposure to asbestos remains the single largest cause of workplace deaths in B.C. Recognizing this, WorkSafeBC has developed initiatives tailored to residential demolition/renovation and institutional, commercial, and industrial construction.

In 2016, the Residential Asbestos Enforcement Team completed 213 inspections of residential demolitions or renovation worksites — 55 more inspections than in 2015. These inspections focused on ensuring homeowners, contractors, and workers were following necessary asbestos abatement practices and procedures before beginning salvage, renovation, and demolition.

Supporting the work of our prevention officers in the field, we launched an awareness campaign targeted at owners of single family homes built before 1990 who were contemplating property redesign/rebuild. The province-wide campaign shared a critical educational message: homeowners play an important role in reducing asbestos exposure.

For institutional, commercial, and industrial premises, prevention officers focused on raising general awareness, improving inventories of asbestos-containing materials within the premises, risk assessment, and risk control standards when working in/around asbestos. Specifically, WorkSafeBC implemented an inspection initiative focused on asbestos management in schools. Its purpose was to verify that anyone involved in managing, repairing, and renovating school buildings has established and is following effective asbestos management plans that consider exposure potential so future occupational disease-related injuries can be prevented.

Did you know?

a reduction in the injury rate of just

1.0 percent

494 workers

results in approximately:

-$13 million

in claim costs

and a gain of

+26,700

productive workdays

Health care violence prevention strategy

In B.C., due to acts of violence or force committed against workers, health care remains one of the most hazardous industries. Province-wide, these types of injuries made up more than 14 percent of the sector's accepted time-loss claims in 2016. This result is similar to the 2015 claim count.

WorkSafeBC's approach in combatting workplace violence in this industry involves combining education and inspection. Since 2015, dedicated violence prevention funding has been provided to provincial health authorities to support the delivery of a Provincial Violence Education curriculum to health care workers in high-risk departments and occupations. Meanwhile, inspections during the year provided enforcement, consultation, and education at health care and social services worksites and departments as well as other occupations providing direct patient care where there is a potential risk for workplace violence.

Confined spaces

Across all industries, confined spaces have proven hazardous with the potential for serious injury — and often death. In 2016, WorkSafeBC continued efforts to raise greater awareness and increase levels of compliance in this area using a combination of short- and long-term inspectional approaches, an assessment tool and checklists, and a newly formed Confined Space team with four dedicated prevention officers. In 2016, recognizing that craft brewing is a growing industry across B.C., an industry-focused inspection campaign was launched. Specifically, the fermentation processes used in brewing produce carbon dioxide gas which can accumulate in confined spaces such

as fermentation tanks, kegs, mixing tanks, and silos, putting workers at immediate risk of death or serious injury if they attempt to enter the confined space.

Falls from heights

Falls are a leading cause of injury for construction workers in B.C., representing 23 percent of all injuries and 35 percent of all claim costs in 2016.[20] From 2012 to 2016, falls from ladders injured or killed 5,787 workers in the sector. Consequently, we developed targeted programs and initiatives to reduce fatal and serious injuries relating to ladder use.

The safety initiative "Is this the right tool for the job?" was piloted with select employers. It combines educational resources with inspections focusing on safe ladder use and a risk assessment tool. The tool asks workers to consider the following before reaching for a ladder or alternative tool: i) the hazards, ii) a safer alternative, and iii) safe work procedures. In 2017, the goal is to extend this initiative beyond the initial employer group to others in the construction industry.

General industries initiative

In 2016, we introduced a pilot project extending beyond our high-risk strategies. The General Industry Pilot was developed to create a more risk-based priority system for allocating work for inspection and enforcement activities.

In a risk-based priority system, officers are deployed to worksites with a higher probability for serious injury, a history of above-normal claims, or a history of non-compliance. Using enforcement, education, and consultation, inspections focus on top risks identified at the firm and classification unit (CU) level as well as key occupational health and safety elements to ensure risk exposures are managed by employers. In this pilot, 50 locations were inspected; they included a range of firms from commercial cleaning to restaurants.

Risk Analysis Unit

Part of Prevention Services, the Risk Analysis Unit (RAU) takes a proactive approach to identifying risks that might otherwise go unnoticed until a serious or fatal injury occurs. Some risks are potentially catastrophic; others are emerging as new technology, products, and procedures are developed. The RAU engages experts and stakeholders, and monitors information sources for risk indicators. The unit evaluates and assesses each risk to determine the appropriate action to mitigate or reduce it. By year-end, 55 risks[21] had been identified by the unit for assessment and possible mitigation — 26 projects have been developed in partnership with industry stakeholders. Active projects include:

- Silica[22] — The RAU partnered with the construction industry and the University of British Columbia (UBC) to develop the Silica Online Assessment Tool; it assists in developing exposure control plans for assessing and reducing silica exposure in the construction industry. The tool was tested through a pilot program involving 50 employers. An outreach plan and supporting materials were developed.
- Ammonia — With reports of injuries involving the release of ammonia or related exposure, the RAU inspected targeted workplaces representing the broad spectrum of industries using ammonia in B.C., then conducted research with industry — including ammonia refrigeration contractors and design engineers. Based on findings, a stakeholder meeting was held to begin the process of coordinating information-sharing between and among the various responding and enforcing agencies. The WorkSafeBC publication *Ammonia in Refrigeration Systems* was updated as part of a package of materials for employers.

Partnerships for safety and outreach

In 2016, WorkSafeBC continued supporting 12 health and safety associations (HSAs)[23] and six ongoing health and safety initiatives across major industries in B.C. This continued collaboration on programs and initiatives supports employers and other safety partners in proactively promoting healthy and safe workplaces, extending the reach of WorkSafeBC and our resources. Examples include:

- **Forestry** — We partnered with the BC Forest Safety Council to organize two safety forums where sawmill and forestry harvesting leaders and industry association personnel met with WorkSafeBC representatives to discuss safety challenges facing the sector. We also provided updates on inspectional activities and prevention strategies while gathering feedback to help inform future prevention initiatives. Further sessions are planned for 2017.
- **Employer Consulting Program** — WorkSafeBC employer consultants partner with large employers to identify opportunities to improve safety culture, reduce injuries, improve claim management processes/practices, and return-to-work outcomes. To this end, we not only provide our consulting services but marshal other tools to support partner employers (e.g., working groups, joint meetings with return-to-work specialists, and use of health and safety culture surveys). In 2016, additional resources were added to the program to expand its capacity and engage more employers; this program included working with BC Hydro on the Site C Dam.
- The *Safe in the Hall* initiative is a health and safety video and supplemental training guide WorkSafeBC developed in partnership with the BC Municipal Safety Association and the Fire Chiefs' Association of British Columbia.

The video and training guide focus on preventing injuries occurring at the fire station, which account for approximately one-third of injuries in the fire service. The video focuses on the most common injuries, including slips, falls, and exertion injuries. Both the video and guide are designed for use by all fire departments across B.C., regardless of size.

Community outreach initiatives

In 2016, WorkSafeBC shared the importance of workplace health and safety with specific communities:

- **First Nations outreach** — We continued our efforts to increase awareness of worker rights and responsibilities and injury prevention resources with First Nations youth and their teachers. We visited schools in Mount Currie, Shalalth, and Lytton, as well as three employment centres. Subsequently, presentations on worker rights and responsibilities were given to students at high schools and First Nations groups in district schools in the Fraser Valley.
- **Syrian community outreach** — By year-end, B.C. had welcomed more than 1,500 refugees from Syria — with more arrivals expected in 2017. In July, WorkSafeBC began a workplace health and safety pilot program focused on members of this community. Highlighting worker rights and responsibilities, we partnered with several community support agencies to deliver 13 workshops to participantsin Metro Vancouver, Kelowna, and Prince Rupert. Arabic-speaking facilitators delivered the workshops, which included Arabic-language handouts for participants. The project will expand to other areas of the province in 2017.
- **Young worker speaker program** — An ongoing WorkSafeBC program, this initiative was developed to share workplace health and safety in a peer-to-peer setting. Secondary schools and parent advisory councils from across the province can request a speaker to address their audiences. This year, WorkSafeBC speakers participated in more than 600 presentations — speaking to 22,000 youth.

Visit worksafebc.com for more on our prevention strategies and initiatives.

Looking ahead

In recent years, the collective efforts of all workplace parties have influenced a downward trend in the provincial injury rate. With this trend, the provincial injury rate threshold has been reduced to 2.25 for 2017, 2018, and 2019. As we look forward, we must remain vigilant in identifying potential areas of concern and addressing them promptly to maintain the injury rate at the current level.

Though a small component of the provincial injury rate, serious injuries will remain a focus for WorkSafeBC given the significant impact to workers and their families when serious injuries or deaths occur. Specifically, we will:

- Maintain our sawmill and pellet mill inspectional strategy to support employers in combustible dust compliance.
- Continue to focus on asbestos exposure control through the inspection of residential demolition and renovation worksites, giving particular attention to asbestos management programs in commercial buildings throughout B.C.
- Implement an enhanced occupational disease strategy that will include targeted enforcement and risk reduction programs, as well as create risk awareness.
- Expand the critical incident program to include earlier and more proactive deployment to better our response to large and complex incidents, when required.

We will continue our proactive enforcement initiatives and partnerships with targeted employers and sectors where serious injuries are most likely to occur. In 2017, this work includes developing a Rapid Occupational Health and Safety Assessment tool to help large employers assess gaps in their active safety management processes and highlighting areas for future improvement.

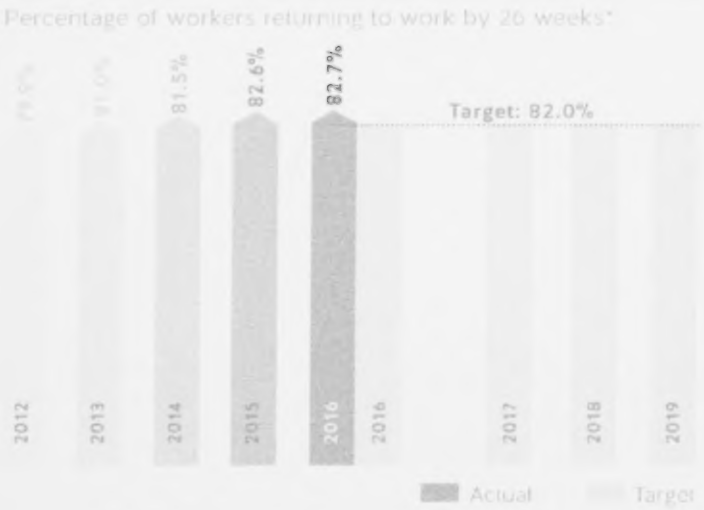
We will also continue broadening our approach to occupational disease to include possible new or emerging hazards. Additionally, we will continue supporting new, young, and vulnerable workers and, whenever possible, provide dedicated information and our health and safety message in workers' languages of origin. With our health and safety association partners, we will promote alignment of injury prevention activities, initiatives, and communications to ensure collaboration and effective use of resources.

In 2017, we will continue to:

- Enhance and sustain relationships with internal and external partners to improve health and safety outcomes, including delivering a revised and refocused high-risk strategy.
- Proactively train, develop, and recruit employees to meet our current and future needs recognizing that WorkSafeBC officers are essential to our prevention strategy and activities.

We anticipate that these initiatives and our focused attention in these areas will contribute to maintaining a stable provincial injury rate.

Key performance indicator #2: Improve return-to-work outcomes



This indicator measures the success of initiatives designed to engage injured workers and their employers in returning to work. Meeting or exceeding the return-to-work target is the intended result.

*In 2012, we tracked successful return-to-work by 26 weeks as a percentage of concluded wage-loss claims within the calendar year. In 2013, we refined this metric to track the percentage of concluded wage-loss claims within the calendar year plus current wage-loss claims open more than 26 weeks.[25]

Importance

This indicator, the percentage of workers returning to work by 26 weeks,[25] measures the success of early intervention initiatives — designed to assist workers in returning to employment after a workplace incident or injury. This measure is for short-term disability claims and usually reflects return-to-work outcomes for the same job and responsibilities a worker had before his or her workplace incident or injury. For the purpose of this key performance indicator (KPI), return to work is considered successful if it is within 26 weeks (from the date the employee is unable to work due to injury), voluntary (not under objection), and durable (no subsequent claim activity for 30 days after return).

Setting targets

As not all workers will return to work within 26 weeks, a 100 percent success rate is not a realistic goal for this KPI. Thus, assuming a relatively similar mix of claim referrals from year to year, our return-to-work targets reflect our best expected outcomes based on an assessment of our current strategies, overall economic climate, and projected employment opportunities (the ability of employers and workers to engage in return-to-work initiatives, undertake any workplace modifications, or participate in accommodation programs). With a forecast for modest economic growth and a flat unemployment rate in 2017, and based on prior-year results, we will maintain our target of 82 percent for 2017 through 2019. This KPI target is reviewed and adjusted annually to reflect changes in economic indicators.

Performance highlights

In 2016, the annual return-to-work-by-26-weeks outcome was 82.7 percent — achieving the 82 percent target and similar to the 2015 result. We believe this outcome reflects our continued focus on early intervention and best practices coupled with the commitment and willingness of B.C.'s employers and workers to partner with us.

Major programs and strategies

To support durable and timely return to work, we have strategies to support injured workers and their employers in transitioning back to the workplace. Our approach includes partnering with stakeholders, collaborating on return-to-work programs, and improving the service experience for injured workers in case management.

For those injured on the job, the ability and willingness of employers to engage in return-to-work activities are integral to successful outcomes. In 2016, we established new collaborative partnerships with employers and industries.

Partnerships

We continued working with large employers to develop options to help injured workers stay at work and/or return to work:

- In partnership with British Columbia Maritime Employers Association (BCMEA), a new and innovative Job Demand Analysis (JDA) database was developed and launched in 2016. The new database is use by 16 waterfront shoreline employers represented by BCMEA, with a total payroll of approximately $540 million. The database enables simplified matching of a worker's abilities earlier in the recover-at-work process with recover-at-work opportunities through more than 100 job demand analysis. The JDA supports both regular and modified work positions.
- Our ongoing partnership with provincial health authorities continues to support their return-to-work programs through various strategies that leverage our data and reporting capabilities — to the benefit of employers and workers.

Programs

One program of benefit to employers with large, multi-year projects is our recover-at-work program. It is tailored to meet the specific needs of employers and their industries, in addition to providing support to injured workers so as to achieve maximum, early, and safe return to work.

In 2016, the recover-at-work program was introduced at BC Hydro's Site C Clean Energy Project. The initiative bundles industry best practices in injury management, such as helping workers maintain connections to their workplaces through light job duties, and immediate injury intervention through an on-site assessment and treatment centre. Late in 2016, the on-site physiotherapy centre was opened and began treating workers who incurred an injury at the jobsite. At the fully-equipped centre, workers are assessed and treated by a designated physiotherapist. As this program grows, success will be measured through surveys from injured workers receiving treatment, number of workers supported at the on-site centre, and analysis of lost workdays.

To date, this program has primarily been implemented with employers who have construction-based workplaces and a large number of workers at higher risk of injury.

Enhanced service experience

In 2016, we also focused on improving the service experience through various initiatives:

- Strategy for mental health disorders — While still a small subset, comprising less than 1.0 percent of claims accepted in 2016, claims with psychological injuries have grown significantly over the past five years, and 20 percent over 2015. In our experience, return-to-work outcomes for psychological injuries are much lower than for physical injuries due to the complexity of injury. Our experience and medical research suggest that timely support for workers with psychological injuries coupled with appropriate services and treatments following injury can assist in recovery.
- In 2016, we finished creating a comprehensive and standardized framework of service standards and developed a strategy to help workers with mental health disorders in successfully returning to work. This strategy includes components that support early intervention by addressing timely and expanded access to additional supportive services to meet individual worker needs, as well as adjudication timeliness. It also led to the development of a new adjudication model in the Mental Health Claims Unit (MHCU) where staff specialize in either adjudication or return to work. This approach allows for increased knowledge and expertise in these areas, with opportunities to improve overall service levels for workers and reduce the decision-making time for claim decisions.
- The Three Pillars of Case Management[26] — In 2016, ongoing professional development for claim management teams emphasized building trusting relationships with workers while new business intelligence and reporting capabilities revealed opportunities to improve adjudication quality and overall service delivery. From this, a new file review tool was developed to structure claim reviews for better consistency, standardization, and more proactive case planning.

Our quality program, initially developed in 2013, supports the consistent delivery of quality adjudication and service excellence to injured workers. In 2016, we began a program redesign. Once completed, the program should be more robust, and responsive, providing the necessary support to claim teams and service delivery to injured workers.

Looking ahead

We continually seek to improve our service offerings and employ an intervention model that supports injured workers earlier in the claim process.

In 2017, our new mental health integrated response centre will be fully launched as part of the framework to support workers with psychological injuries. Workers will be able to access new services through improved and updated means — ensuring services are delivered in a timely and consistent manner that better matches their individual needs.

Through continued partnerships with employers, we will pursue recover-at-work programs to help improve return-to-work outcomes and minimize time-loss days by keeping injured workers connected to their workplaces while offering timely assessment and therapy.

We will persist in finding more efficient and effective ways to assist injured workers in 2017 while continuing to provide compassionate service. Building on lessons learned in 2016, we will make focused and iterative refinements to our programs and services while growing our relationships with employers. With successful results in return to work and a forecast for a flat unemployment rate in 2017, we anticipate sustaining positive return-to-work outcomes for future years.

Key performance indicator #3: Improve return-to-work outcomes for workers in vocational rehabilitation

Injured workers referred to vocational rehabilitation are often dealing with complex injuries. WorkSafeBC engages workers, employers, and health care providers to help achieve successful return-to-work outcomes. Meeting or exceeding this target is the intended result.

*Based on the inverse relationship between the return-to-work outcome and the B.C. unemployment rate, the 2016 target was set at 78 percent using a forecast unemployment rate of 6.2 percent. In turn, the actual unemployment rate in 2016 was 6.0 percent.

Importance

Vocational rehabilitation (VR) is a program that assists injured workers with their return to work as quickly, safely, and successfully as possible following a potentially life-altering work-related injury. Each year, approximately 3,400 workers, or 6.7 percent of workers with a wage-loss claim,[27] are referred to our VR program for assistance in returning to work. The program supports workers who can return to work but due to severe or complex injuries are unable to return to the same job responsibilities they had before being injured. To measure the effectiveness of our efforts, we track and record the number of successful outcomes for returning workers as a percentage of all return-to-work referrals completed annually by our Vocational Rehabilitation Services (VRS) department.

Setting targets

Based on prior-year outcomes and a flat unemployment rate forecast of 6.0 percent for 2017, our targets for this key performance indicator (KPI) have been increased to 79 percent for 2017 through 2019. As return-to-work outcomes correlate with the provincial unemployment rate, targets for future years may be adjusted if the unemployment rate changes significantly.

Workers referred to our VR program have often suffered complex injuries that may prevent successful return to work while others opt to retire rather than return to employment, thus a 100 percent target is not the goal for this KPI.

Our return-to-work targets reflect our best expected outcomes based on an assessment of our current initiatives, strategies, and provincial unemployment forecasts.

Performance highlights

In 2016, 2,571 workers in Vocational Rehabilitation returned to employment. Of these, approximately 47 percent returned to work with new employers or became self-employed. In 2016, our return-to-work success rate was 80.6 percent — similar to 2015, and one of the highest results we've seen since we began measuring this indicator. Over the past few years, the return-to-work success rate in VR has continued increasing while the unemployment rate has remained relatively flat. We believe this is partly due to prior initiatives we undertook to address older more complex claims so our vocational rehabilitation consultants (VRCs) could maintain more manageable caseloads and focus on earlier intervention. This continued success is also due to the willingness of employers and workers to fully engage in the rehabilitation process.

Major programs and strategies

We work closely with injured workers, employers, health care providers, and others to create return-to-work programs that meet the unique needs of each worker.

Programs and services may include vocational counselling, return-to-work planning, worker-employer mediation, work assessment, worksite/job modification, job search and placement assistance, and help with training and education. Whenever possible, we help injured workers return to work with their original employer — either in a modified version of the same job or a similar role. If this is not an option, our Employment Development and Placement tool suggests other employment possibilities and helps our VRCs and their clients identify new job opportunities while offering employers incentives to offset the costs of hiring and training employees involved in return-to-work programs.

In 2016, VRS also worked on several initiatives to improve service. These initiatives included a new operational structure with a more collaborative approach to the early intervention process, allowing for regular follow-ups on case planning and case conferencing for injured workers with more complex injuries.

Recognizing our VRCs play a critical role in a worker's vocational rehabilitation, we invested in ongoing professional development with a focus on ways to better engage injured workers and build more meaningful relationships.

Looking ahead

As early intervention has been shown to improve return-to-work outcomes, earlier vocational rehabilitation involvement for workers remains a priority for WorkSafeBC. In 2017, we will continue focusing on service improvements with an enhancement to our system that will improve the timeliness of payments for VR programs or services — ensuring no unnecessary delays to the rehabilitation process.

Given the progress made in VR return-to-work outcomes over the past five years, and as a 100 percent success rate is unattainable, we are determined to seek and make improvements where and as possible to achieve success.

Did you know?

In 2016, we **STOPPED** work at **476** workplaces

by issuing stop work orders for **serious health and safety incidents.** Once addressed, the stop work orders were lifted.

Return-to-work

Positive outcome after life-changing moment

It was like any other day for 40-year-old automotive service technician Juan Balatti — until suddenly it wasn't.

"I had the top drawer open while putting socket wrenches away and it just fell over," says Balatti of the estimated 900-pound standing toolbox that changed his life. "I tried to catch the drawer, thinking it was just the drawer that was opening. But it wasn't the drawer, it was the whole box."

The force of the falling toolbox tore Balatti's right bicep from his elbow, detached nerves in his forearm, and significantly strained his right shoulder.

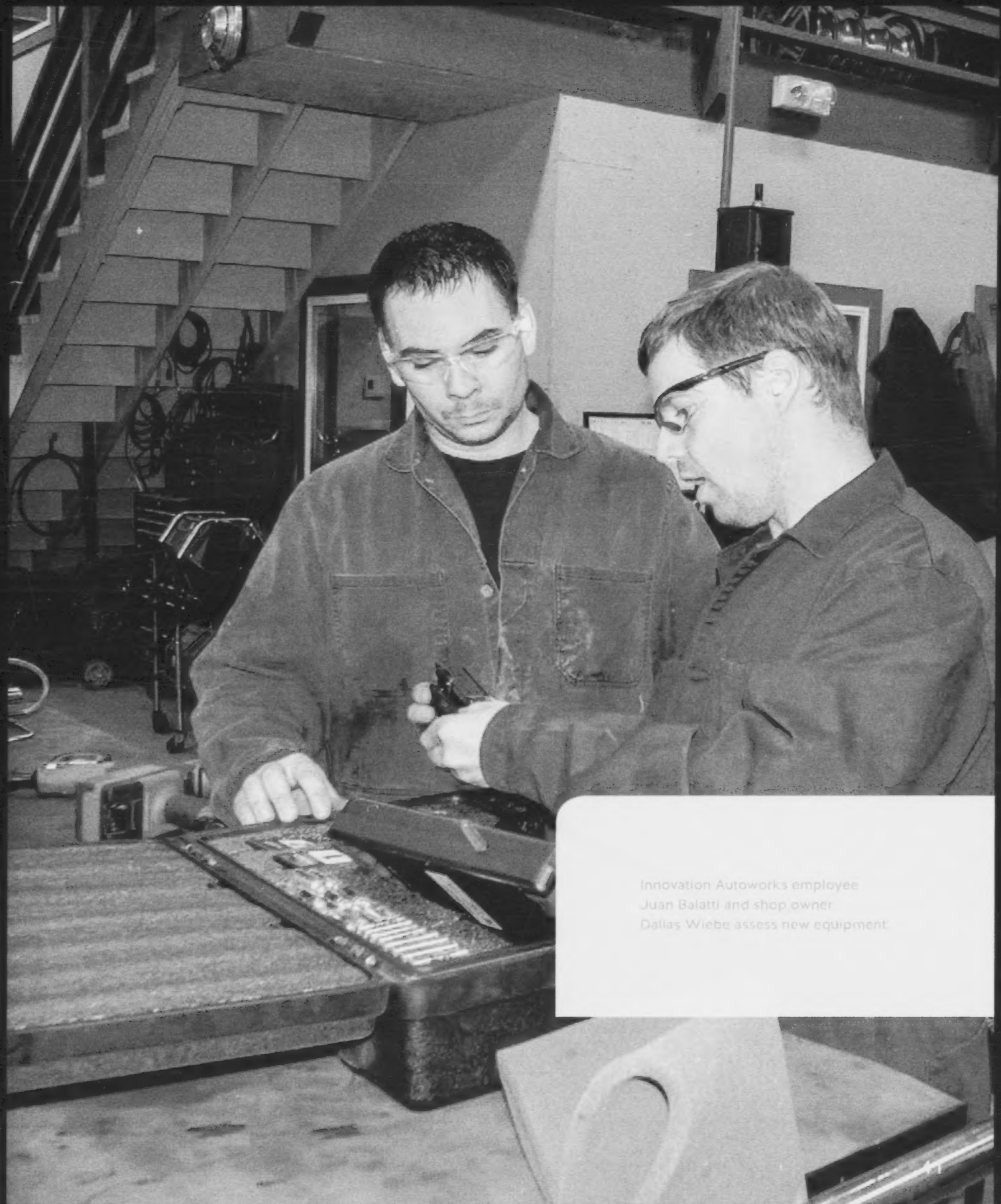
After surgery, extensive physiotherapy, and occupational rehabilitation, Balatti was assessed with a permanent disability in his once-dominant right arm. He was cleared to return to work in a limited capacity in June 2016, a recovery expedited by a positive attitude, support from WorkSafeBC, and an employer, Dallas Wiebe of Innovation Autoworks in Terrace, who recognized the value in getting him back to work.

From the start, Wiebe made no secret that he wanted Balatti back. To accommodate his employee's new reality and support his return to work, Wiebe identified modified equipment that would allow Balatti to resume his duties. WorkSafeBC invested in the equipment, facilitating Balatti's return.

Patricia Healy, the WorkSafeBC vocational rehabilitation consultant who worked on Balatti's case, saw the opportunity. "When we have an employer like Innovation Autoworks, it's fantastic. Dallas was so supportive of Juan's return to work and job modifications. It's great to see a positive outcome after a worker has sustained a life-changing injury — both for the employer and the worker."

The ability to return to the job he loved meant a lot to Balatti, who had already given up so many other things as a result of his injury. "There was no way I ever thought Dallas would want me back," he says. Not wanting to dwell on the past, Balatti is happy to be back doing a job he enjoys, "It has been a process, and there may be more surgery in my future. But, I am happy to be back in the shop with an employer who is supportive."

Wiebe, for his part, seems unwilling to take much credit, citing Balatti's "work ethic and desire to be back" as the true secret behind this success story.



Innovation Autoworks employee Juan Balatti and shop owner Dallas Wiebe assess new equipment.

Key performance indicator #4: Improve timeliness of initial short-term disability payments

The lower the result for this indicator, the faster injured workers are receiving their first payment following their workplace injuries. Success for this indicator is measured at or below the target.

*Factors affecting payment timeliness include: time required to fully diagnose and investigate occupational diseases, claims undergoing appeal, and unusual circumstances resulting in decision-making delays. Claims with timeliness of greater than 365 days have been excluded from this KPI calculation; including these claims would have resulted in timeliness of 20.3 days.

Importance

For many injured workers in British Columbia, wage-loss replacement benefits provided by WorkSafeBC sustain injured workers and their families in the period between injury and return to work. To measure when injured workers receive their first short-term disability payments, we calculate the average interval between the disablement date (the first day an injured worker is entitled to wage-loss benefits) and date of first payment. Our goal is to provide disability payments to injured workers as quickly as possible without compromising the adjudication process, though recognizing that external factors can affect payment timeliness. External factors might include, for example, any delays workers, employers, or health care providers may take in submitting necessary claim information to us.

Setting targets

We do our best to provide timely first payments to injured workers with the goal of limiting interruption in pay. For this key performance indicator we set our targets based on prior results, evaluation of current programs and strategies, and injured workers' survey results. In 2016, 85 percent of surveyed injured workers who received their first compensation payment within 20 days[28] said overall timeliness was good or very good. Based on this and our evaluation of other initiatives and prior performance, the 2017 target remains at 18.0 days,[29] decreasing to 17.5 days for 2018 and 2019.

Performance highlights

In 2016, timeliness was 17.6 days — 0.5 days lower than in 2015,[30] and 0.4 lower than the target of 18 days.

Over the past few years, we have continued making incremental progress on timeliness results as we have focused on service and quality improvements throughout the initial stages of the decision-making process.

Major programs and strategies

A critical component of timeliness is complete claim information from all parties (i.e., workers, employers, and health care providers) for the decision-making process. Thus, any delays in gathering information may decrease overall timeliness to first payment.

In 2016, to improve the quality, accuracy, and timeliness of information gathering, we focused on promoting increased use of alternate communication and information channels including Teleclaim (our telephone service to report injuries for workers) and our online portals. Currently, 78 percent of injured workers report their claims through Teleclaim — similar to 2015.

Teleclaim offers injured workers a dedicated channel to explain their incident and injury details directly to a WorkSafeBC client services representative. This service also allows us to gather more accurate and complete information required to manage each claim while providing an opportunity to discuss process and expectations directly with injured workers.

Use of a real-time interpretation service enables our clients to communicate with WorkSafeBC by phone in their preferred language. In 2016, the interpretation service received requests in 63 languages and assisted with 16,912 calls — an increase of 1 percent over 2015.

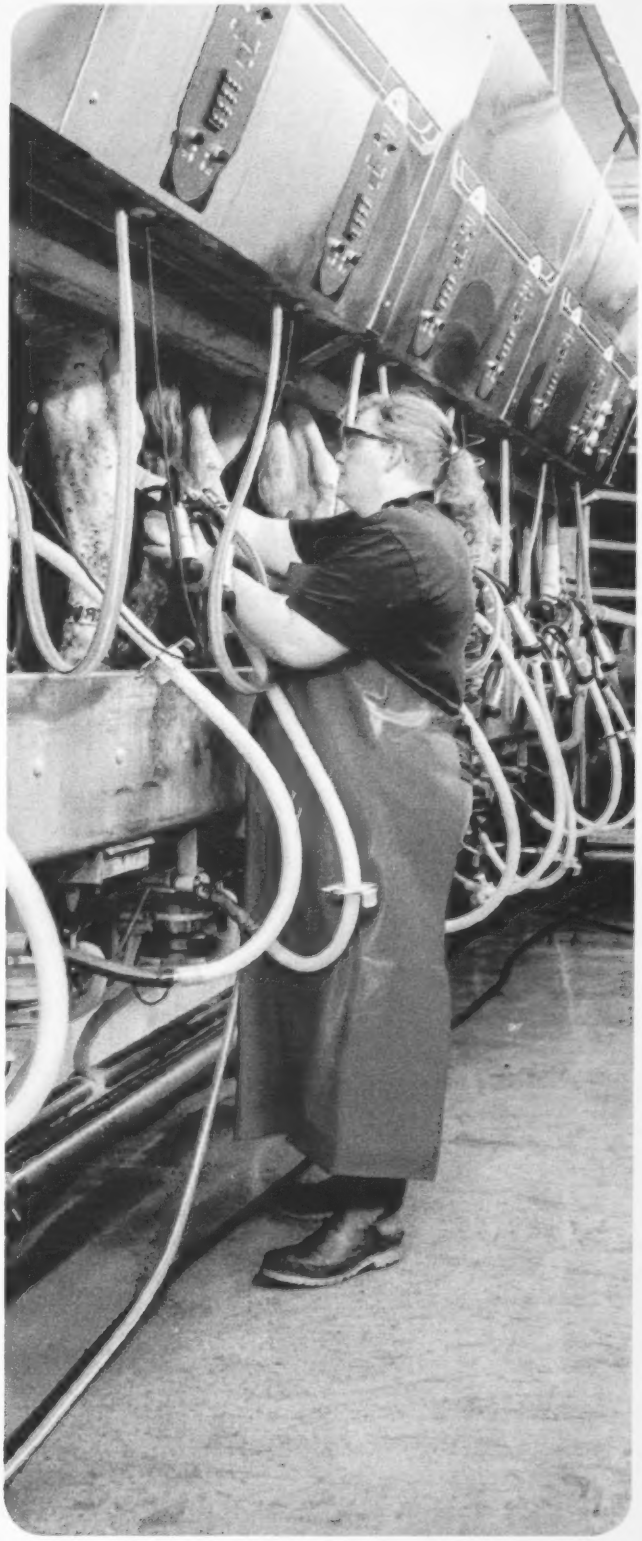
In 2016, we increased specialization in decision-making teams and within the medical model that supports claim management staff. This specialization continued to provide specific expertise related to the injury type; now, teams of specialized adjudicators oversee more complicated cases. The result has been increased knowledge, which has enabled greater consistency and quality in decision making, improved timeliness to first payments, and reduced wait times for injured workers.

Looking ahead

Though we have made improvements to timeliness, we will continue seeking ways to enhance the service we provide British Columbia's workers and employers.

In 2016, we began reviewing the initial decision-making phase to assess if the process could be further streamlined. In 2017, we will continue implementing identified opportunities — focusing on improvements within our existing structure. New approaches, such as an employer-targeted Teleclaim pilot,[11] will help gather missing or incomplete information required to efficiently register and process an injured worker's claim.

We will also continue concentrating on customer service and staff engagement with the goal of realizing further incremental improvements to timeliness results in future years.



Key performance indicator #5: Improve injured workers' rating of overall experience

We strive to provide exceptional service to injured workers during their claim process. Through this indicator, success is measured as meeting or exceeding the target.

* The margin of error is +/- 4 percent, 95 times out of 100.

Importance

WorkSafeBC looks to deliver responsive and caring service that meets or exceeds the expectations of injured workers. To measure performance, our Voice of the Customer program contracts market research provider Ipsos to conduct random surveys of 800 injured workers per year. These surveys gauge injured workers' impressions of our organization and the services our team provides.

For this key performance indicator (KPI), success is measured by how injured workers rate their overall experience with us — a measurement covering a five-point scale defined as very good, good, average, poor, or very poor. This KPI is expressed as the percentage of injured workers who rate their experience as good or very good.

Setting targets

WorkSafeBC is committed to delivering excellent service at all points of contact with an injured worker. To measure how we are doing, we survey workers at all stages of a claim. In setting this KPI target, we consider past results, the margin of error inherent in surveying a sample of injured workers, as well as several factors that directly impact this measure:

- WorkSafeBC is mandated to provide fair compensation for workplace injury, disease, and death within boundaries set by law and policy. Given the nature of our work, it is unlikely all injured workers will agree with every claim-related decision we make.
- We are interested in measuring our service levels for all types of claims — even those we cannot allow. For denied claims, it is unlikely all injured workers will rate their overall experience as good or very good.

Accordingly, our targets for 2017 through 2019 have been set at 77 percent.

Performance highlights

In 2016, 79 percent of injured workers rated their overall experience with WorkSafeBC as good or very good. This result meets the 77 percent target set for the year, and is four points above the 2015 result. The rise in the overall experience rating assigned to us by workers is a directional improvement, but not a statistically significant change. The 79 percent achievement is the highest recorded outcome for this KPI, but still within the 4 percent margin of error for the 77 percent target.

The majority of injured workers rating their overall experience as good or very good noted that WorkSafeBC was easy to work with and provided efficient service and responsive communication. Of the 9 percent of respondents rating their experience as poor or very poor, the main reasons cited included poor communication, dissatisfaction with treatment, issues with incorrect claim information, and refusal of claim.

Injured workers' service scores[2]

Claim stage, by level of complexity	2012	2013	2014	2015	2016
Paid claims					
Initial adjudication	87%	85%	93%	84%	92%
Entitlement	79%	80%	84%	82%	84%
Return-to-work specialist function	N/A	84%	83%	80%	84%
Case management, vocational rehabilitation	77%	76%	75%	76%	79%
Disallowed claims					
Entitlement, case management	33%	29%	38%	21%	39%

All surveyed workers are asked about their overall experience with WorkSafeBC. Looking at the various stages of injured workers' claims, and workers with disallowed claims, the survey consistently shows the longer a worker's claim endures, or if it is denied, the more challenging it becomes to maintain an overall rating of good or very good. See above table.

Major programs and strategies

In 2016, we increased our focus and oversight on the timeliness of initial contact with workers and employers at the case management level. Workers told us that timely contact with the person managing their claim was important to them, generally setting the stage for a more positive overall experience.

For staff and managers, we focused our professional development training on improving our communication, collaboration, and connection with our customers. We also increased resourcing for Teleclaim to assist more injured workers reporting their injuries by phone.

As part of an ongoing focus on claim management, managers continued conducting quarterly reviews of survey responses with claim owners. Where and when service improvement opportunities are identified, claim owners and their managers work together to effect change.

In 2016, Vocational Rehabilitation (VR) staff and our VR program received improved feedback. This improvement resulted, in part, from a combination of initiatives and focused efforts that have increased VR staff awareness of customer needs, while enhancing their skills and techniques so they can better understand and respond.

In 2016, WorkSafeBC took steps to address the concerns of workers who rated their overall experience as poor or very poor, by examining survey responses for any significant characteristics to distinguish them from other survey respondents providing a higher overall experience rating. Better understanding these characteristics will allow us to continue refining our services to this targeted group.

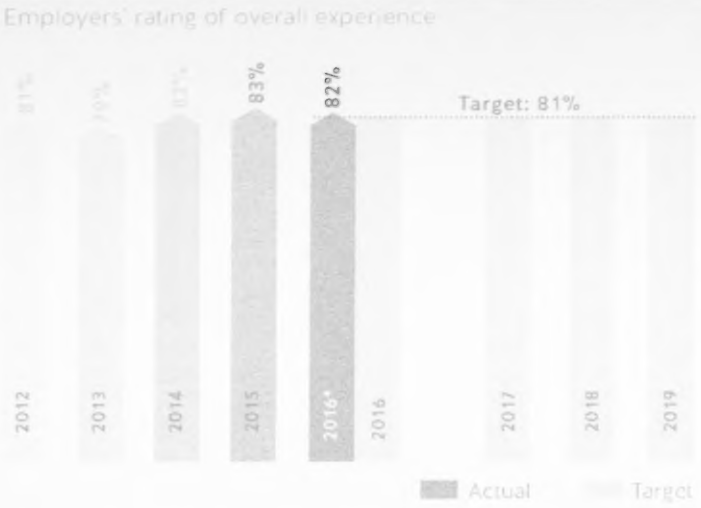
Looking ahead

Going forward, we will continue monitoring survey trends to ensure our staff, training, and resources are well positioned to meet the service requirements of injured workers.

We will continue examining survey data for distinguishing characteristics of workers who rate their overall experience as poor or very poor. We will also look for trends in the concerns raised by this category of workers.

Overall, considering past results and the factors discussed above, we aim to maintain a service score of 77 percent of injured workers rating their service from us as good or very good through 2019.

Key performance indicator #6: Improve employers' rating of overall experience



We are committed to providing exceptional service to employers through prevention, assessment, and compensation. Through this indicator, success is measured as meeting or exceeding the target.

* The margin of error is +/- 3 percent, 95 times out of 100.

Importance

WorkSafeBC is committed to providing excellent customer service to employers through our core functions of prevention, assessment, and compensation. As in previous years, we contracted market research provider Ipsos to measure our performance in these areas. In 2016, Ipsos surveyed 1,600 employers[33] with two or more claims in the previous 12 months. The survey starts with a broad measurement and explores specific components of employers' experiences with us.

This key performance indicator (KPI) correlates directly to employer experiences with inspections, premiums, and the claims process. Employers rate their overall experience with us as very good, good, average, poor, or very poor. We then determine success based on the percentage of respondents citing good or very good ratings.

Setting targets

In setting targets, we consider past performance as well as any anticipated operational challenges resulting from current or future economic environments. Such challenges could include changes in business processes, assessment rates, claim volumes, staff availability, or other factors. In setting this KPI target, we consider potential challenges, the margin of error inherent in surveying a sample of employers, and our mandate as a regulatory and decision-making body.

Based on these factors, we set our 2017 through 2019 targets at 81 percent of employers rating their overall experience with us as good or very good.

Performance highlights

In 2016, 82 percent of employers rated their overall experience with us as good or very good. This is one point above the 81 percent target set for the year, and one point below the 83 percent achieved in 2015. Neither change indicates a statistically significant shift; both are within the 3 percent margin of error for the 81 percent target.

In gathering feedback from employers, we recognize that businesses of different sizes have different needs and expectations; consequently, survey results are broken out so we may better understand employers' experiences. In 2016, there was a statistically significant difference in how small employers rated their experiences compared to large employers.

Ratings from small employers declined slightly, with 78 percent giving a good or very good rating (down from 81 percent in 2015). Ratings from medium-sized employers declined by five points over the previous year (from 87 to 82 percent), while ratings from large employers increased by four points over the previous year (from 82 to 86 percent).

Among the survey's other findings:

- Staff in our Employer Service Centre earned high marks, with 93 percent of employers rating the courtesy of representatives as good or very good.
- When assessing workplace inspections conducted by WorkSafeBC staff and the value of the inspection experience, 78 percent of respondents rated their value as good or very good overall. In 2016, WorkSafeBC prevention officers were rated higher than in prior years in terms of understanding employers' specific situations and helping firms establish safer workplace practices. Overall, WorkSafeBC prevention officers received a rating of 84 percent good or very good from those surveyed.
- We made statistically significant improvements in our rating of developing return-to-work plans that met employers' business needs, and in ensuring their injured workers returned to work at an appropriate pace.

Major programs and strategies

In 2016, WorkSafeBC continued consulting with employers, providing education and support, and maintaining partnerships to improve safety, lower claim duration, and reduce claim costs.

Among the year's highlights:

- To address the unique needs of small business employers, we targeted training for all claim staff in the second half of 2016; this training included a focus on how to better support these employer training in managing worker absences and return to work.
- To assist small business employers with their initial injury reporting, we laid the foundation for an employer-targeted Teleclaim pilot.[34]
- To further enhance the service provided to large employers, we increased resourcing for Industry and Labour Services, to help develop injury prevention and disability management programs.

In 2016, we also continued targeting select employers facing workplace health, safety, and claim cost challenges. WorkSafeBC personnel connected with businesses to build relationships and improve performance, creating employer-specific programs.

Looking ahead

We anticipate the new employer-targeted Teleclaim pilot will improve customer service for both injured workers and their employers. Expediting the claim initiation process should result in improved information gathering, earlier payments to workers, and a more helpful and responsive service experience for small business employers.

We will continue addressing the needs of employers facing workplace health, safety, and claim cost challenges — including disability management — by supporting early and safe return-to-work programs for injured workers.

Going forward, taking into account past results and the factors discussed above, we aim to maintain a service score of 81 percent of employers rating their experience with us as good or very good through 2019.

Key performance indicator #7: Raise public confidence

In shaping the health and safety culture in B.C. workplaces, we survey the public to measure our overall contribution. Success for this indicator is measured as meeting or exceeding the target.

*The margin of error is +/– 3.5 percent, 95 times out of 100.

Importance

Across British Columbia, WorkSafeBC strives to be recognized by stakeholders and the public as a valued partner in shaping a safety culture in the workplace. We rely on the trust and support of the larger community to improve workplace health and safety and return-to-work outcomes for injured workers. As an organization, increased public confidence in us and our work allows us to deliver our health and safety message more effectively while building lasting partnerships with workers, employers, unions, safety associations, and other workplace participants.

To measure public confidence, using a survey called the Public Contribution Index, we contract Ipsos to randomly query approximately 800 British Columbians four times per year. The survey gauges how respondents view WorkSafeBC and our overall contribution to the province. For this reporting year, approximately 3,200 residents were surveyed in February, May, September, and December. This key performance indicator (KPI) calculates the percentage of respondents rating WorkSafeBC's contribution as very or somewhat positive.

Setting targets

We believe that to be a leader of prevention, rehabilitation, and return-to-work initiatives, we require a high level of credibility. We also believe every increase in the Public Contribution Index suggests greater public confidence and trust in our organization.

With a focus on long-term improvement, we set targets based on our most recent results as well as the effects of external factors. This particular KPI is especially sensitive to high-profile media coverage that may arise at any time. As a regulatory and enforcement agency, it is inevitable that actions or decisions by WorkSafeBC will occasionally be perceived negatively. Such negative perceptions can and do drive down results for this measure.

Past experience and advice from Ipsos suggest that scores of 85 percent and higher are rare among public regulatory organizations. Recent results indicate a sustained higher-than-target rating; thus, our target remains set at 90 percent or more through 2019.

We are committed to maintaining this threshold while looking at alternate measures that may provide more robust understanding of public perceptions. We will evaluate any potential adjustments to this KPI accordingly.

Performance highlights

In 2016, at 93 percent positive, WorkSafeBC's average public contribution rating remained at an all-time annual high — exceeding the year's 90 percent target. Of the 3,206 British Columbians who responded to our four surveys in 2016, 2,988 said WorkSafeBC is making a very or somewhat positive contribution to the province.

Major programs and strategies

WorkSafeBC's public contribution rating is not associated with a specific group of programs or initiatives. Rather, it measures British Columbians' perceptions of all aspects of our organization. This includes prevention initiatives; claim management and adjudication; worker and employer education; social marketing; return-to-work and rehabilitation programs; customer service; insurance and financial stability; media relations; communications; and more. Ultimately the rating reflects all our activities as an organization, summarizing the degree to which we are viewed — and valued — as contributing to society. Over many years, WorkSafeBC's public awareness campaigns have likely contributed to our increasingly strong public contribution rating.

Various programs and activities supported our goal of increasing awareness and changing workplace safety behaviours in 2016:

- Our Asbestos Awareness Campaign, aimed at homeowners, generated 26,298,000 impressions throughout B.C.
- We participated in 33 Day of Mourning ceremonies across B.C.
- We participated in the Vancouver Pride Parade, which was attended by approximately 550,000 people.
- Our young workers' speaker program reached more than 22,200 people through 603 presentations across the province.
- Dedicated multicultural safety campaigns connected specifically with Punjabi- and Mandarin-speaking workers.
- Our partnership with Preventable — The Community Against Preventable Injuries, which included television advertising.

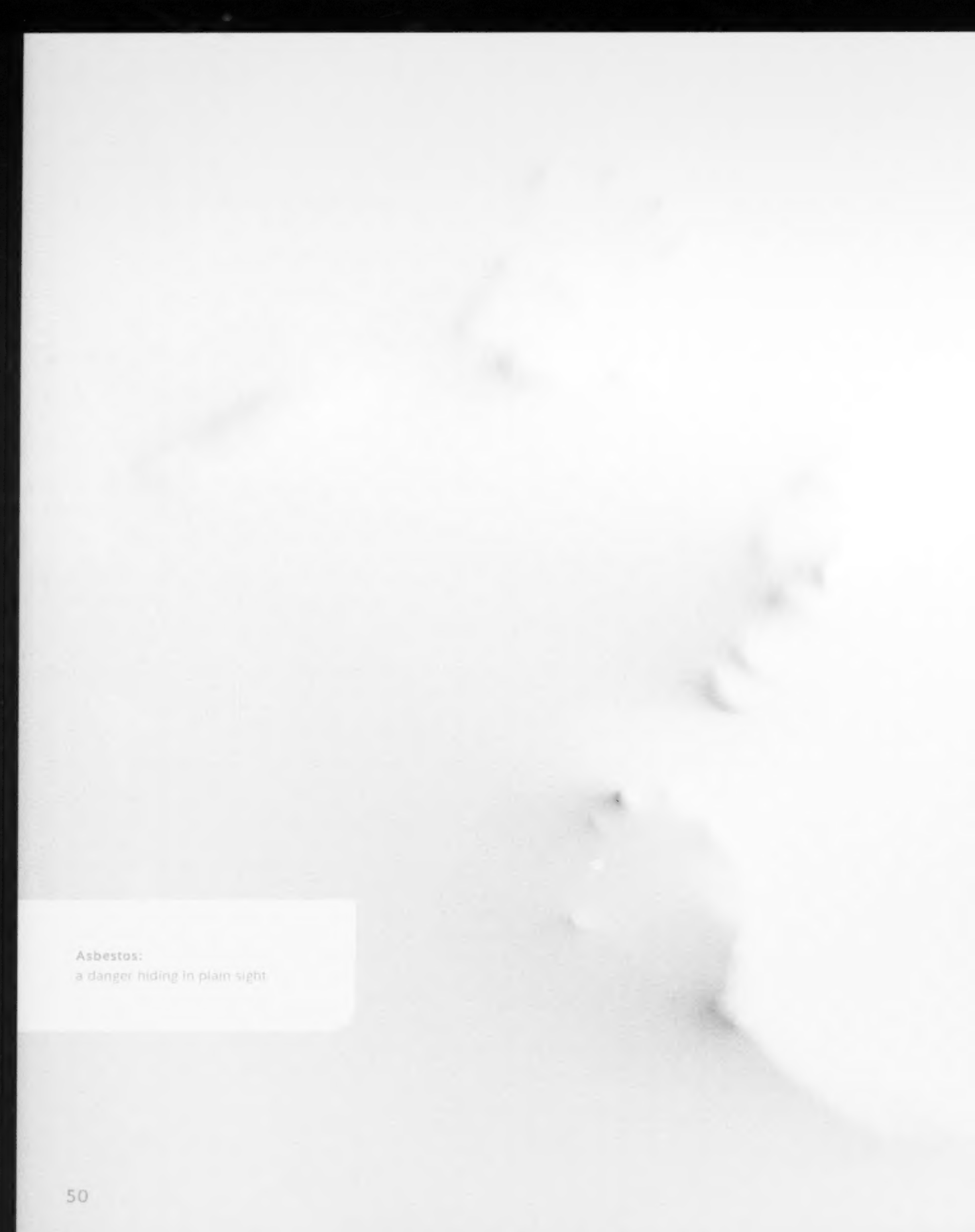
These are just some of many initiatives that contributed to our overall Public Contribution Index score. For more about our community outreach, see KPI #1, page 34.

Looking ahead

In 2017, WorkSafeBC will continue creating targeted and impactful campaigns to capture the attention of our stakeholders and the public, striving to change workplace safety attitudes and behaviours province-wide.

Did you know?

WorkSafeBC has been providing service to workers and employers of British Columbia for almost **100 years**.



Asbestos:
a danger hiding in plain sight

Asbestos campaign raises awareness with homeowners

A danger hiding in plain sight; it is not just employers and workers within industry who need to know where asbestos is lurking. Homeowners considering renovations or demolitions need to know too, so they can keep workers, themselves, and their families safe.

Supporting the front-line work our prevention officers undertake daily, the 2016 Homeowner Asbestos Awareness Campaign targeted owners of single-family homes built before 1990 who may be contemplating redesigning or rebuilding their homes. The campaign gained province-wide attention with its message: homeowners have an important role in reducing asbestos exposure to workers.

More workers die from asbestos exposure than from any other cause

Asbestos continues to be the number one killer of workers in British Columbia. Since 1996, there have been 1,030 deaths related to asbestos exposure — and incidents of worker exposure continue to increase, rising 22 percent over 2015.

Research demonstrates gaps in knowledge

The Homeowner Asbestos Awareness Campaign launched after our research showed there were gaps in knowledge about asbestos that could put workers and others at risk of exposure. Among the findings: only 36 percent of those who renovated a pre-1990's home in the past five years recall testing for the presence of asbestos; only 32 percent knew they should look for asbestos before undertaking renovations in a home built before 1990.

"Homeowners have a big role to play," explains Al Johnson, vice-president, Prevention Services at WorkSafeBC. "Most of the time, they're making the financial decisions about renovations and demolitions that can expose people — including themselves — to asbestos-containing materials."

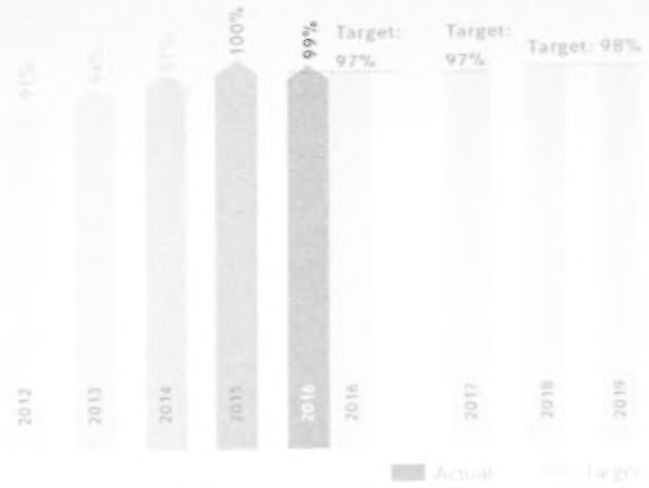
Prevention is vital

The work to raise awareness about the dangers of asbestos exposure continues, and prevention is vital. For homeowners considering renovation or demolition work, WorkSafeBC has created tools on how to identify, test for, and safely remove asbestos-containing materials at thinkasbestos.com.

The end goal? "We want homeowners to start thinking about asbestos," says Johnson. "Asbestos awareness can and should be top-of-mind for anyone considering a renovation."

Key performance indicator #8: Achieve 100 percent of the target asset level[35]

Percentage of target asset level achieved*



This indicator is a measure of the required funding level. The goal is to achieve the long-term target asset level of 100 percent, with interim targets based on three-year financial projections.

*2012–2014 results are not fully comparable to 2015–2019 results/targets due to a change in methodology to calculate the minimum required capital which came into effect January 1, 2015, increasing the required capital by $1.1 billion. The additional required capital is being phased in uniformly over a three-year period which began January 1, 2015.

Importance

As an insurer, WorkSafeBC has significant fiduciary responsibilities — including ensuring the compensation system remains financially viable. Meeting this objective requires targeting an asset level that is sufficient to fund future unexpected payments for current claims. The target asset level should also include sufficient capital to cover volatility in the point-in-time valuation of existing assets and liabilities.

WorkSafeBC invests in a diversified portfolio (see Financial Context, page 16) that includes equity investments expected to generate higher long-term returns. Higher returns allow lower long-term net employer premiums, but equity investments are subject to greater short-term variability in market value. Similarly, because WorkSafeBC's liability payments are long term in nature, they are subject to potential changes in environmental factors[36] or policies; some could result in significant cost increases. When either risk occurs, a significant downturn in equity values or significant unanticipated costs, we can draw on capital reserves. Strong capital reserves serve the interests of employers by dampening the rate volatility that would otherwise arise from fluctuating returns on investments and/or unforeseen costs beyond those assumed in the liabilities, while also ensuring the sustainability of the system in providing benefits to injured workers into the future.

Calculation method

WorkSafeBC determines its funding adequacy by measuring actual assets on hand against a target asset level using the following equation:

Actual Assets ÷ Target Assets

This is a variation of the method other Canadian workers' compensation boards use to measure funding adequacy, as other organizations use only their liabilities as the denominator[37] (see Appendix A, page 136).

Actual assets are the total assets held by WorkSafeBC.

Target assets are the sum of:

- Total liabilities
- Capital Adequacy Reserve[38] target level
- Other appropriated reserves (excluding the Capital Adequacy Reserve)

Setting targets

The long-term goal for this performance indicator is 100 percent of the target assets. At 2016 year-end, the capital position of $5,003 million was made up of a $3,137 million Capital Adequacy Reserve (CAR) and $590 million in other reserves, with the remaining $1,276 million consisting of the unappropriated balance less accumulated other comprehensive loss. The long-term goal is to build up the capital reserve to a target CAR level (see Performance highlights). We work toward this objective by setting aside funds in the CAR in financially good years. At this long-term funding level, we expect to have a sufficient capital reserve to withstand the risk that the valuation of assets and liabilities may fluctuate from year to year (see Note 19 of the consolidated financial statements, page 130).

Each year, WorkSafeBC develops targets for the following three years by projecting financial results. We consider factors such as expected investment returns and inflation, injury rate and claim duration trends, and likely outcomes of current strategies. For the next three years, targets have been set at 97 percent (2017), 98 percent (2018), and 98 percent (2019).

While 100 percent is the long-term goal for this KPI, values in any given year may rise above or fall below this level — particularly as equity markets rise and fall. Achieving the long-term goal of 100 percent of the target asset level depends largely on consistently earning investment returns that exceed actuarial assumptions.

Performance highlights

At 2016 year-end, actual assets were 99 percent of the target value of assets required. A detailed calculation of this KPI is shown in the table that follows:

Percentage of target asset level

($ millions)	As at Dec. 31, 2016	As at Dec. 31, 2015
Actual assets	**$16,989**	**$16,425**
Liabilities	$11,985	$11,910
Target Capital Adequacy Reserve*	$4,600	$3,998
Other reserves*	$590	$590
Target assets	**$17,175**	**$16,498**
KPI #8 (actual assets/ target assets)	99%	100%

*For more information on the Capital Adequacy Reserve and other reserves, see Note 11 of the consolidated financial statements (page 124).

Major programs and strategies

To move toward an asset level of 100 percent of the target assets, we apply sound investment policies and practices, manage the employer assessment process, and reduce claim costs by helping B.C.'s industries achieve lower injury rates and higher return-to-work rates. To provide a long-term required level of investment returns without undue risk to the system, WorkSafeBC maintains a conservative and diversified investment portfolio (see Financial Context, page 16). In the long term, this prudent investment approach is intended to provide adequate investment returns to cover inflationary increases to claim benefit liabilities.[39]

The workers' compensation system relies on employer premiums as a primary income source. To ensure timely and accurate collection of employer premiums, we work closely with employers to verify estimated payrolls, confirm receivable amounts, collect overdue accounts, and educate employers about payment obligations and potential savings opportunities. WorkSafeBC also investigates employers who default on their payments and may initiate proceedings against them that result in administrative penalties or court-imposed sanctions.

Claim costs relating to injured workers account for approximately 96 percent of all liabilities. WorkSafeBC acts in partnership with workers, employers, safety associations, unions, and other key stakeholders to reduce incidence of occupational injury, disease, and death (see KPI #1, page 30). When these incidents occur, we try to resolve claims quickly, safely returning injured workers to lasting employment — which also reduces claim costs (see KPIs #2 and #3, pages 36 and 38).

Looking ahead

Among other factors, this KPI is based on the market value of our assets (the numerator of the benchmark ratio) so some volatility can be expected in the future as equity markets rise and fall. Our Board of Directors considers the financial stability and sustainability of the workers' compensation system a key priority. This priority is achieved by maintaining an adequate level of capital — through assessment collection and prudent investment of the Accident Fund.[40]

We set assessment rates using smoothed rather than fair value accounting (see Financial Context, page 16); this approach dampens the volatility in market returns. According to WorkSafeBC policy, we draw on our Capital Adequacy Reserve as needed to moderate year-to-year average premium rate increases for employers.

Also, targets for this KPI set through 2019 reflect future investment returns that are expected to be less robust than average returns over the last 10 years.

Given these factors, we anticipate relatively neutral fair value financial results in 2017, 2018, and 2019 — investment income at consumer price index (CPI) growth plus 3.0 percent to meet liability requirements, and relatively modest claim experience gains and losses. On this basis, the target for 2017 has been set at 97 percent, and for 2018 and 2019 the targets have been set at 98 percent.

In years when returns outperform assumptions, we anticipate moving closer to our long-term goal of 100 percent. However, as it is impossible to accurately forecast short-term financial market fluctuations, such outperformance is not built into our 2017–2019 targets. Since target levels for this KPI equate to an expected funded level of about 145 percent of assets over liabilities (the comparative Association of Workers' Compensation Boards of Canada measure) for 2017 through 2019, we are confident published targets reflect the system's continued viability.

At the request of our Board of Directors, we are conducting a review of the current funding policy. As a result, the method of calculating this KPI and the associated targets may change in future reports.

Key performance indicator #9: Control administration costs

To provide value to our stakeholders, we strive to be cost-effective. This indicator measures our success in maintaining administration costs at or below the target.

*The 2015 result has been updated from that published in the *2015 Annual Report and 2016/2016 Service Plan* to reflect an updated 2015 assessable payroll.

Importance

We aim to provide value to our stakeholders by delivering the highest level of service in the most cost-effective manner. One way we measure our administrative efficiency is by calculating our annual administration costs per $100 of assessable employer payroll. In doing so, we can compare and monitor the cost of administering B.C.'s workers' compensation system and evaluate our year-over-year performance. An alternate measure in Appendix A, based on the Association of Workers' Compensation Boards of Canada (AWCBC) definition,[41] allows for comparison of our administration costs relative to other workers' compensation organizations in Canada.

Setting targets

Our targets for 2017–2019 are based on our projected administrative costs, which include a three-year administration cost budget and projection of assessable payroll.

In setting our administration cost budget, we strive to be cost-effective while maintaining high service levels for workers and employers. Internal and external factors affect our performance and decision making. Internally, for example, a decrease in the number of WorkSafeBC employees performing claim-related work could lower our administration costs. However, such a reduction could also trigger longer rehabilitation times and lower return-to-work outcomes for injured workers, likely increasing claim costs by more than the budget reductions.

Externally, an improved B.C. economy could lead to an increase in the province's total assessable payroll; this, in turn, would decrease our ratio of administration costs per $100 of payroll. In the same way, a decline in economic growth could have the opposite effect. Given these internal and external variables, we set targets based on best estimates of our overall capacity and relative to B.C.'s expected economic growth. This approach allows us to track our performance in managing administration costs.

Performance highlights

The administration cost ratio can be affected by changes to the ratio numerator (administration costs) or the denominator (the province's assessable payroll). In 2016, the administration cost ratio was $0.49 — $0.01 higher than the 2015 result and $0.02 below our 2016 target of $0.51. These results are explained as follows:

- Compared to the 2015 result of $0.48, the administration cost ratio increased slightly in 2016. Administration costs increased by $23.2 million (5.3 percent) in 2016, primarily from increases in prevention, project, and employee benefits costs. Increased employee benefit costs,

accounting for more than half the total increase, were due to changes in actuarial assumptions related to employee benefit plans. The administration cost ratio only increased slightly as administration cost increases were partially offset by the province's payroll, which increased by 4.1 percent.

- Compared to the 2016 target of $0.51, the better-than-expected result of $0.49 was due to lower administration costs than budgeted. Total administration costs for 2016 were $13.2 million (2.8 percent) less than budget, primarily due to staffing vacancies and lower-than-planned project costs.

See page 74 of the Management Discussion and Analysis section for more information on the total administration cost variance. See Note 15 of the consolidated financial statements (page 128) for a breakdown of total administration costs by category and function.

Major programs and strategies

WorkSafeBC monitors and manages administration costs through a system of internal controls, including:

- Monthly reviews and analyses of administration costs, including explanations of any significant variances from plan by each division's financial manager with the chief financial officer (CFO) and corporate controller
- Monthly reporting of administration costs and variances to the president and chief executive officer (CEO) and the senior executive committee, with regular reporting to the Audit Committee of the WorkSafeBC Board of Directors
- Quarterly business plan and budget reviews with the president and CEO, CFO, and corporate controller by each division's senior vice-president and/or vice-president

Did you know?

WorkSafeBC conducted

41,589

workplace inspections

in 2016

Looking ahead

As already noted, the administration cost ratio can be affected by changes to the numerator (administration costs) or denominator (the province's assessable payroll). Going forward, we expect the administration cost ratio to decrease as the budgeted increase in administration costs is lower than the expected increase in assessable payroll.

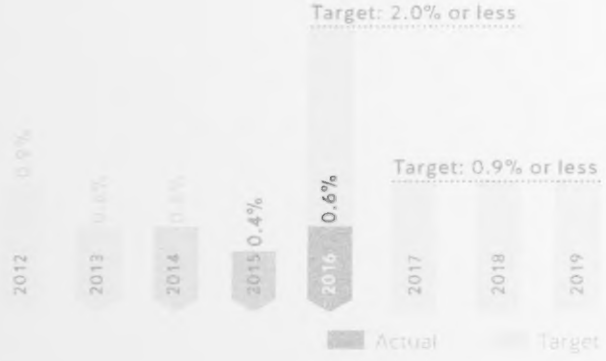
- For the numerator — Administration costs for 2017 are budgeted to increase by 0.9 percent over the 2016 budget and anticipated to increase a further 1.8 percent in 2018 and 2.2 percent in 2019. These expected changes are attributed mainly to non-discretionary items such as salary increases resulting from the collective agreement, higher employee benefit costs resulting from changes in actuarial assumptions, and other contractual commitments.
- For the denominator — Assessable payroll is expected to increase by 4.0 percent in 2017, 4.1 percent in 2018, and 4.1 percent in 2019. These figures are based on projected changes in B.C.'s labour income as estimated by the provincial Ministry of Finance.[42]

The higher-than-expected change in assessable payroll, compared to administration cost growth, contributes to expected reductions in the target in each of the coming years. We will continue monitoring and evaluating the balance between controlling our administration costs and ensuring a high quality of service while preparing to adjust that balance to best meet the needs of our stakeholders.

Key performance indicator #10: Improve decision making throughout WorkSafeBC, ensuring consistency with legislation and policy

Consistent and quality decision making is an integral part of the workers' compensation system. This indicator is a threshold target; the lower the result, the more consistent the decision making.

Claim issues leading to overturned decisions due to WorkSafeBC errors in law or policy — Review Division (internal)



Claim issues leading to overturned decisions due to WorkSafeBC errors in law or policy — WCAT (external)

Importance

WorkSafeBC employees make thousands of decisions regarding compensation, prevention, assessment, and rehabilitation matters affecting B.C. workplaces. Their goal is to arrive at the correct decision by weighing evidence consistently and ensuring compliance with applicable law and policy. In most cases, WorkSafeBC's decisions are accepted by those involved; however, workers and employers have the right to appeal decisions if they disagree with our findings.

For most decisions, two levels of appeal are available. The first level involves an impartial internal review by our Review Division, which looks to ensure appropriate decisions have been made on issues in dispute. The second level involves the Workers' Compensation Appeal Tribunal (WCAT), a final external level of appeal for WorkSafeBC-related matters.

Both the Review Division and WCAT are important components of the decision-making process. Their findings offer better understanding of the principles relating to workers' compensation adjudication while highlighting the need for policy review, enhanced employee training, or additional stakeholder education.

Setting targets

The Review Division or WCAT may reach a conclusion that differs from the original decision. This variance is part of the normal inquiry process. At WorkSafeBC, we track the rate of errors coded by the Review Division or WCAT in applying law and/or policy — the most objective and readily available measure of quality decision making.

WorkSafeBC has established this key performance indicator (KPI) as an indicator of quality decision making. Our Board of Directors has set the upper boundary for this indicator at a target error rate of 0.9 percent or less for initial decisions reviewed at the Review Division level and 1.5 percent or less for Review Division decisions appealed at the WCAT level. The threshold target for 2017 has been adjusted to reflect the 10-year average for this KPI. These targets have been extended through 2019.

Performance highlights

In 2016, WorkSafeBC's Review Division reviewed 15,177 issues relating to 12,003 WorkSafeBC decisions. Of the issues reviewed, 87 (0.6 percent) resulted in overturned decisions because of perceived error in the application of legislation or policy — slightly higher than the 0.4 percent result in 2015.

WCAT decided on 4,376 issues relating to 3,349 completed appeals of Review Division decisions. Of these, 54 (1.2 percent) resulted in overturned decisions due to perceived error in the application of legislation or policy — slightly more than the 1.0 percent result in 2015. Results for both Review Division and WCAT in 2016 are better than the year's established targets.

In looking at all issue outcomes, overall, the Review Division confirmed 64 percent of the issues it reviewed — slightly fewer than in 2015. Of the issues reviewed, 23 percent were allowed or allowed in part while 13 percent were returned to the initial decision-making division for further investigation or determination.

Of the total appeals WCAT completed in 2016, 59 percent of issues were confirmed, slightly fewer than in 2015, while 41 percent were allowed or allowed in part. Both at the Review Division and WCAT, the top two issues on review and appeal were the acceptance of a claim for an injury and entitlement to compensation for a permanent partial disability.

Major programs and strategies

To ensure decisions made under the *Workers Compensation Act* are consistent with legislation, regulation, and policy, we undertake various programs to educate decision makers on appropriate methods of evidence gathering and weighing, decision making, and decision writing.

The Review Division convenes quality councils for compensation, prevention, and assessment matters. These senior-level councils, which include representatives from different areas of our organization, review ongoing issues relating to decision-making quality. They also develop plans for rectifying identified issues. To complement this strategy, we collaborate and communicate with various areas of the organization to help identify everyday service concerns and develop and implement immediate and long-term solutions.

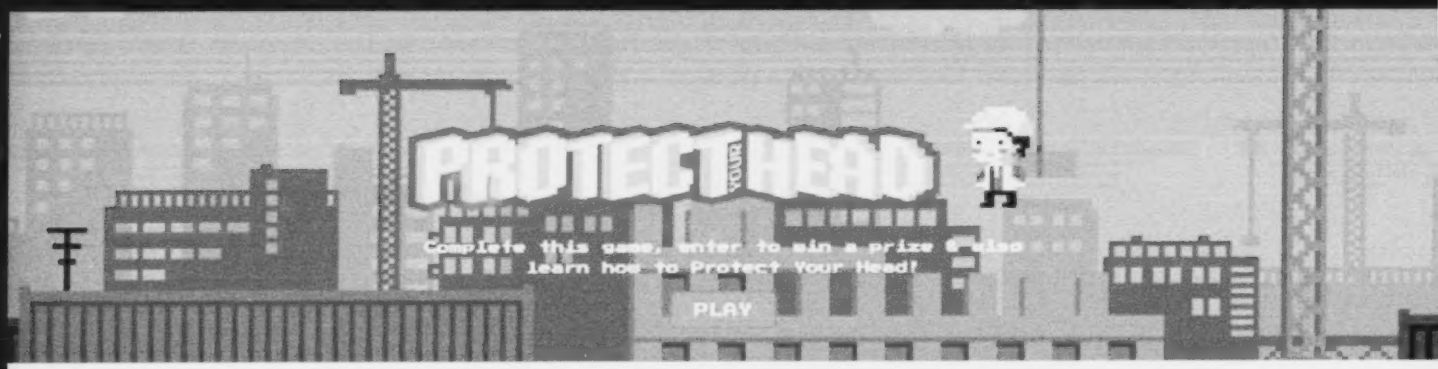
Through 2016, WorkSafeBC's Review Division continued the quality decision review process. As part of this ongoing initiative, team managers and the quality assurance group review select decisions — either before or after decisions are issued. This process involves examining the appropriate application of law and policy. In 2016, we provided focused decision-writing training to a small group of review officers. Without encroaching on the independence of decision makers, review officers also peer review each other's draft decisions and provide constructive feedback.

The Review Division's quality assurance group conducts in-depth reviews and audits of decisions as well as training in all subject areas. Audits may be conducted jointly between the Review Division and the appropriate operating division.

Looking ahead

The Review Division will continue providing timely first-level dispute resolution in addition to looking for efficiencies in decision making while remaining focused on quality and customer service. Incoming review volumes, policy changes, and staff movement will continue putting pressure on review officers that could potentially result in additional errors in law and policy. However, ongoing training and initiatives to enhance quality should help mitigate this risk.

As an organization, we will continue monitoring claim and review volumes, adjusting resources where and as necessary.



Corporate Social Responsibility

Environmental management

In keeping with our commitment to reduce our impact on the environment and contribute to healthier, safer, and more caring communities, WorkSafeBC strives to reduce greenhouse gas emissions, divert waste from landfills, and encourage a culture of community.

Greenhouse gas emissions

With a long-term commitment to environmental best practices in operating and managing our buildings, in 2016 we surpassed our interim greenhouse gas (GHG) emission target by an additional 13 percent.

WorkSafeBC aligns with targets set by the Government of British Columbia[43] to reduce GHG emissions to one-third below 2007 levels by 2020, with interim reduction targets of six percent by 2012 and 18 percent by 2016. While WorkSafeBC is not included under this legislation, we have voluntarily chosen to align with this mandate's emissions reporting and reduction aspects. Using the province's Climate Action Plan SMARTTool,[44] we measure greenhouse gas production from our fleet vehicles, buildings, and use of office paper. In 2016, the results demonstrate a 31 percent reduction in our GHG emissions from the baseline year.

In 2016, the provincial government's calculation methodology for GHGs underwent a two-year update cycle to reflect current emissions factors.[45] As a result of this update, emissions from our fleet vehicles, buildings, and paper consumption rose in total, by two percent over 2015. However, by right-sizing vehicles[46] in our fleet, total fuel consumption was reduced, while kilometres travelled increased in 2016. We were also able to reduce the energy consumed in our buildings, reinforcing our commitment to environmental best practices in both the operation and management of our buildings.

For 2017 through 2019, we will continue seeking incremental improvements where possible.

Greenhouse gas emissions*

*Results are as of March 31, 2017

WorkSafeBC has sponsored BrainTrust Canada since 2015. Through this support, BrainTrust Canada has developed materials about preventing head injuries in youth. Strategies include wearing gear, such as helmets, that can prevent up to 85 percent of brain injuries.

Waste diversion

WorkSafeBC has chosen to align its waste diversion targets at our Richmond office with established targets in Metro Vancouver's Integrated Solid Waste and Resource Management Plan. Specifically, we targeted 70 percent waste diversion by 2015 and are targeting 80 percent by 2020.

In 2016, our head office in Richmond sent less waste to the landfill — from 78 tonnes in 2015 to 75 tonnes. Of the waste generated at our Richmond location in 2016, we recycled 265 tonnes and composted 101 tonnes. This result equates to diverting 83 percent of our total waste from landfill — surpassing our target for 2020 in 2016.

Waste diversion

Community relations

WorkSafeBC sponsors or partners with various not-for-profit organizations in B.C. that align with our prevention and return-to-work mandates. Among the organizations we sponsor across the province, 2016 groups included Project Chef Education Society, BrainTrust Canada, and the BC Labour Heritage Centre.

Project Chef provides an in-school cooking program, teaching elementary school children in the Vancouver School District about healthy eating and preparing nutritious meals.

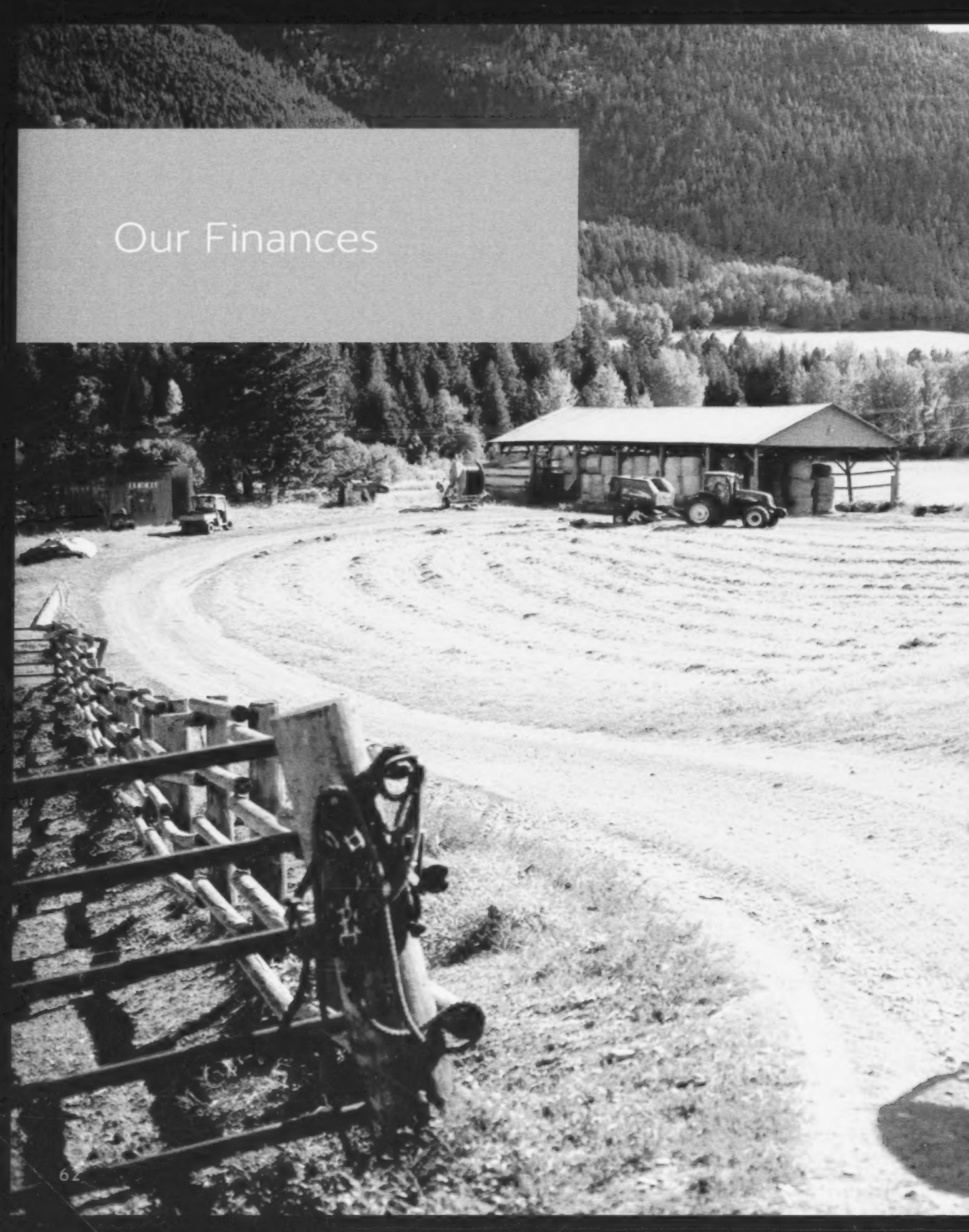
The only program of its kind in Canada, a key component involves teaching children how to safely work with knives and other sharp objects, work near heat sources, work with machines, and work safely on slippery floors. During the 2016 school terms, 1,492 children participated in the program — which also involved 116 teachers and 800 parent and community volunteers. For more information on Project Chef, visit projectchef.ca.

BrainTrust Canada serves the Okanagan Valley, providing community rehabilitation to individuals with brain injury; it places a strong focus on brain injury education, especially for youth. Since 2015, WorkSafeBC has funded the development of interactive educational materials for youth about brain injury prevention. These materials have resulted in an innovative online game called Protect Your Head, which includes three sections — a retro "Mario Bros." type of jumping game; a "point-and-click" exploratory sequence; and a "text message" stream where youth can learn about brain injury. The program can be accessed at protectyourhead.com.

The BC Labour Heritage Centre preserves, documents, and presents the rich history of working people in B.C., engaging in projects that help define the role that work and workers have played in the evolution of the province. WorkSafeBC and the Centre partner on a various initiatives, including the production of videos highlighting worker history in B.C. and the BC Schools Project. Through the BC Schools Project, more than 120 high schools have received information about workplace health and safety and the Day of Mourning. For more information on the BC Labour Heritage Centre, visit labourheritagecentre.ca.

Helping Hands

Helping Hands is a registered charity funded entirely by WorkSafeBC employees, with infrastructure support provided by WorkSafeBC. In 2016, Helping Hands members raised approximately $139,000 and supported 179 different charitable organizations. Each year, Helping Hands members select an organization to support with undesignated funds. At the end of 2016, the Seniors Services Society's Make it Home project was selected, donating $26,000 to provide programs and services to vulnerable seniors allowing them to live as independently as possible.



Our Finances

Management Discussion and Analysis

This Management Discussion and Analysis section provides management's perspective on WorkSafeBC's consolidated results and financial position for the year ending December 31, 2016. The following areas are discussed: funded position, premium income, investments, claims, operating costs, and a comparison to our 2016 plan.

This section should be read in conjunction with the consolidated financial statements and accompanying notes. It also includes a discussion of accounting standards we are monitoring, and key strategic, financial, and operational risk factors affecting current and future performance.

Supplementary information on WorkSafeBC's operating results, prepared based on the smoothed[47] accounting approach (the accounting method used for rate-setting purposes), is available online at worksafebc.com/annualreport and includes a 10-year summary table, gain and loss analysis, and statement of changes in rate group balances.

Did you know?

In 2017, the **average base premium rate** for employers will **drop by**

3%

Overview of 2016 financial results

2016 and 2015 highlights

Financial highlights ($ millions)	2016	2015	Change
Portfolio investments	16,111	15,463	648
Benefit liabilities	11,444	11,402	42
Unappropriated balance	1,419	1,722	(303)
Accumulated other comprehensive losses	(143)	(160)	17
Reserves	3,727	2,953	774
Total funded position	5,003	4,515	488
Premium income	1,494	1,413	81
Investment income	826	1,306	(480)
Other income	8	11	(3)
Claim costs	1,591	1,550	41
Operating costs	266	252	14
Surplus from operations	471	928	(457)
Other comprehensive income	17	67	(50)
Total comprehensive income	488	995	(507)
Operational highlights			
Percentage of target funding level achieved (see key performance indicator #8, page 52)	99%	100%	(1 point)
Average base premium rate	$1.70	$1.70	–
Number of insured employers	231,482	225,582	5,900
Number of workers covered	2.33 million	2.26 million	0.07 million
Injury rate (see key performance indicator #1, page 30)	2.21	2.23	(0.02)
Number of claims registered	149,554	145,523*	4,031

* The number of claims registered has been restated from that published in the *2015 Annual Report and 2016–2018 Service Plan* due to the claim consolidation process to remove duplicate claims.

In 2016, WorkSafeBC had another year of positive financial results with a total comprehensive income of $488 million. The bottom line was lower than the prior year due to significantly lower investment income, with the return on portfolio investments at 5.1 percent compared to 8.7 percent in 2015. However, investment returns continued to exceed liability requirements (4.5 percent in 2016) for the year.

The average base premium rate was held flat in 2016 while premium income increased, reflecting the growth in the B.C. economy and provincial labour income. Higher-than-required investment income, as already noted, allowed us to continue discounting premium rates — the 2017 base premium rate of $1.65 is $0.10 below the expected cost rate — while adding $774 million to our capital reserve, providing added security for future worker benefits. At year-end 2016, our funded position was at 99 percent of the target funding level.

Claim and operating costs increased by 3.1 percent in 2016, aligning with an increase in the number of employers and workers we serve.

WorkSafeBC's funding model operates on a break-even basis; premiums are intended to cover current-year claim and operating costs while annual investment returns are expected to cover the annual interest requirement on the liability from prior-years' claims. Gains or losses arise when premiums are intentionally underpriced (to return unappropriated surplus to employers), investment income is higher or lower than liability requirements, or actual costs differ from forecast. Factors contributing to gains or losses are best understood when our total comprehensive income for the year is presented in the gain and loss format, shown in the table that follows.

Gain and loss table (rateable classes only)*

($ millions)	2016	2015	Change
Premium income deficiency in covering current-year claim and operating costs	(54)	(97)	43
Investment income excess over the annual interest requirement on the liability from prior-years' claims	286	821	(535)
Lower actuarial liabilities than previously anticipated for prior-years' claims	225	190	35
Actuarial gains on latent occupational disease liability	15	14	1
Actuarial gains on employee benefit plans	16	67	(51)
Total comprehensive income	**488**	**995**	(507)

* The gain and loss table excludes costs relating to self-insured classes, which are fully recoverable.

Funded position

WorkSafeBC's funded position is made up of the unappropriated balance, reserves, and accumulated other comprehensive losses.

As noted, in 2016 our funded position (accumulated surplus) increased because of higher-than-required investment income and lower-than-anticipated liabilities for prior-years' claims. During the year the funded position increased by $488 million, to $5.0 billion or 99 percent of the target level — helping us ensure the long-term financial sustainability of the workers' compensation system, a strategic objective of our Board of Directors. A more detailed discussion of our funding principles and objectives is provided in the Our Performance section (see KPI #8, page 52).

Included in the funded position are reserves with a total balance of $3.7 billion. WorkSafeBC maintains several reserves for specific purposes, described in Note 11 of the consolidated financial statements (page 124). The Capital Adequacy Reserve (CAR) is the largest of all our reserves — at $3.1 billion in 2016 (2015: $2.4 billion). In 2016, $774 million was appropriated from the 2016 smoothed[48] value operating surplus and added to the CAR.

Changes in funded position

($ millions)	Unappropriated balance	Accumulated other comprehensive (losses) gains	Reserves	Total
Funded position — January 1, 2016	1,722	(160)	2,953	4,515
Surplus for the year	471	—	—	471
Actuarial gains on employee benefit plans	—	17	—	17
Net transfer to Capital Adequacy Reserve	(774)	—	774	—
Funded position — December 31, 2016	**1,419**	(143)	**3,727**	**5,003**

WorkSafeBC's accumulated other comprehensive losses consist entirely of cumulative actuarial losses from post-employment employee benefit plans. In 2016, other comprehensive income was $17 million (2015: $67 million), lowering the accumulated other comprehensive losses to $143 million (2015: $160 million). Actuarial gains in 2016 resulted primarily from higher-than-expected returns on plan assets. See Note 9 of the consolidated financial statements (page 110) for further information.

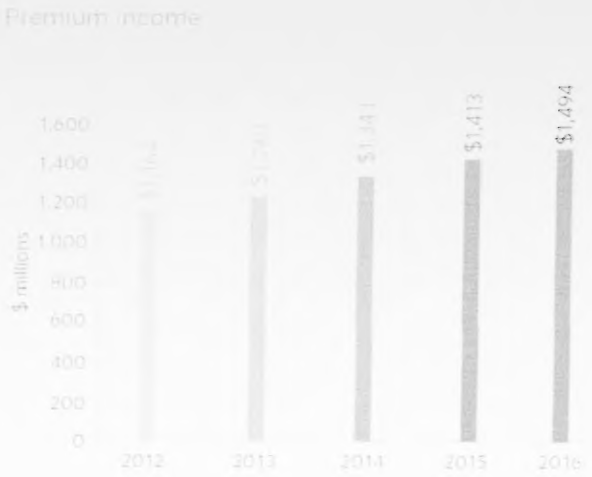
Premium income

Premium income accounted for 64 percent of total revenue in 2016, consisting mostly of assessments received from rateable employers and, to a lesser extent, self-insured employers.[49] Rateable premium income is determined by the sum of the assessable payroll of each employer multiplied by the appropriate rate for each employer.

Premium income rose in 2016 due to an increase in the assessable payroll — the result of continued growth in the B.C. economy and a lower provincial unemployment rate. The average base premium rate (described in the next section) held flat for the year.

In 2016, premium income from self-insured employers increased due to higher claim costs incurred by these employers. Income from self-insured employers includes the recovery of claim costs paid on their behalf, an allocation of administration costs to manage compensation claims, and changes in the actuarial valuation of their benefit liabilities.

The premium income reported in the consolidated financial statements is partially based on estimates. The final premium amount for the 2016 assessment year will not be fully known until May 2017, when almost all employers will have submitted their final premium reconciliation statements. To meet the reporting deadlines for this annual report, WorkSafeBC estimates the value of premium income based on financial data from March 2017. Given the uncertainty associated with this estimate, we take a conservative approach. In the past five years, the difference between the estimated value of premium income and the final amount has been 1.1 percent or less. Any difference between final remittances from employers and the accrued amount resulting from estimates is recognized as premium income in the following year.



Premium income

($ millions)	2016	2015	Change
Rateable employers	1,465	1,388	77
Self-insured employers	29	25	4
Total	**1,494**	**1,413**	**81**
Average base premium rate	$1.70	$1.70	$0.00
Assessable payroll ($ billions)	$92.3	$88.7[1]	$3.6

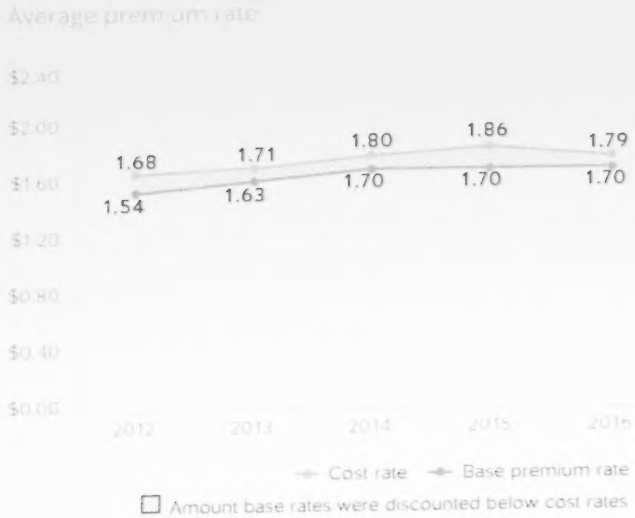
[1] The 2015 estimated assessable payroll has been updated to a final figure, and differs from that published in the *2015 Annual Report and 2016–2018 Service Plan*.

Premium rates

After nine consecutive years of reductions or flat average base premium rates, 2013 and 2014 saw average base premium rates rise as the average cost rate increased. For 2015 and 2016, our Board of Directors held the average base premium rate flat — at the 2014 level of $1.70 — through draw-downs from the Capital Adequacy Reserve.

For 2017, the average base premium rate reduces to $1.65 due to a lower average cost rate and improved financial position.

The chart that follows presents a five-year comparison of the average cost rate and published average base premium rates.



The difference between the average base rate and cost rate, indicated by the shaded area of the chart, represents the sum of adjustments made to bring the rate below the average cost of coverage. This difference primarily results from excess investment returns.

Cost rate — The major component of the premium rate is the expected cost rate, a prior estimated cost (e.g., the 2016 cost rate was determined in mid-2015) of new injuries and administration for the upcoming calendar year. The 2016 expected cost rate, of $1.79 per $100 of assessable payroll, was down by $0.07, primarily driven by the lower cost experience of injuries in recent years compared to earlier years.

Base premium rate — The base rate is the published premium rate. It is determined by deducting from or adding to the cost rate as a result of the amortization of rate group surpluses or deficits; the capping of rate increases and decreases; and other required adjustments to the rate. In 2016, the base rate was $1.70, compared to the cost rate of $1.79. In the absence of continued investment returns in excess of requirements or cost reductions to bring the cost rate in line with current premium rates, there will be upward pressure on future base premium rates to align with the cost rate.

Claim costs largely drive the premium rate. To reduce claim costs, WorkSafeBC acts in partnership with employers, workers, and other key stakeholders to strengthen workplace health and safety; reduce incidence of workplace injury, disease, and death; and assist workers in safe, durable, and timely return to work following injury.

Did you know?

Employers saved

$48 million

by improving workplace health and safety for workers through the

Partners in Injury and Disability Prevention program

Investments

As mandated by legislation, WorkSafeBC maintains an Accident Fund that sufficiently meets all present and future costs (liabilities) for injuries arising in the current year as well as those from previous years. The Accident Fund invests in pooled funds and investment corporations managed by the British Columbia Investment Management Corporation (bcIMC). Our portfolio of these investments accounts for 95 percent of WorkSafeBC's total assets and generated 35 percent of total revenues in 2016.

Financial markets overview

It was an eventful year for financial markets in 2016, with the unexpected results of the European Union referendum held by the United Kingdom (commonly known as Brexit) as well as the U.S. presidential election. Broad equity markets remained resilient; by year-end, following a steady rise in commodity prices, the Canadian equity market gained 21.1 percent. Over the same period, foreign equity markets reported low single-digit returns in Canadian dollars, mostly due to the negative currency impact. The Canadian dollar appreciated against most major foreign currencies — this

unfavourably impacted WorkSafeBC's foreign equity returns once foreign holdings were translated into Canadian dollars. Additionally, in the fixed-income markets, unexpected upward pressure in bond yields toward year-end 2016 eroded some earlier gains. For the year, the Canadian bond market gained 1.7 percent.

Portfolio investments

The chart that follows shows the value of WorkSafeBC investments by asset allocation category. In 2016, the portfolio value increased by $648 million — from $15.5 billion to $16.1 billion. This increase reflects $826 million of investment income (discussed on page 71), less withdrawals required to fund claim payments and operating costs not covered by current-year premiums.

Portfolio investments

In 2016, our investment portfolio continued to be well-positioned, with WorkSafeBC's Investment Committee maintaining the investment portfolio close to its target weights. Asset allocation targets[50] established under our investment policy are prudent; approximately half the assets are allocated to fixed-income and inflation-sensitive investments. By year-end, the investment portfolio consisted of 23 percent fixed-income, 47 percent equity, 26 percent inflation-sensitive assets, and 4 percent other assets (compared respectively to related investment policy targets of 25, 43, 32, and 0 percent).

We anticipate a continued but gradual increase in the market values for our investments over the long term. In 2016, the investment portfolio returned 5.1 percent (compared to 8.7 percent in 2015 and 10.6 percent in 2014). For the reporting year, portfolio investment returns exceeded WorkSafeBC's return requirement[51] of 4.5 percent. Annual variations in market returns should be viewed against longer term results, shown in the chart that follows.

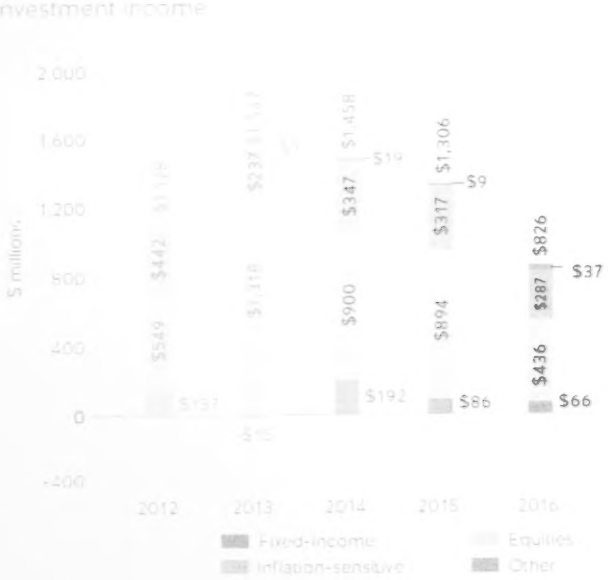
Market return vs. required return

Portfolio investments

($ millions)	2016	2015	Change
Fixed-income	3,642	3,490	152
Equities	7,554	7,559	(5)
Inflation-sensitive	4,280	3,816	464
Other	635	598	37
Total	16,111	15,463	648

Investment income

In 2016, investment income of $826 million was $480 million lower than in 2015. While most major stock markets reported gains in 2016, as noted in the Financial markets overview section, page 69, foreign equity holdings were negatively impacted by foreign exchange losses. WorkSafeBC's equity, inflation-sensitive,[12] fixed-income, and other investments had positive returns of $436 million, $287 million, $66 million, and $37 million, respectively. In 2016, as shown in the table below, income distributions and realized gains more than offset unrealized losses.



Investment income

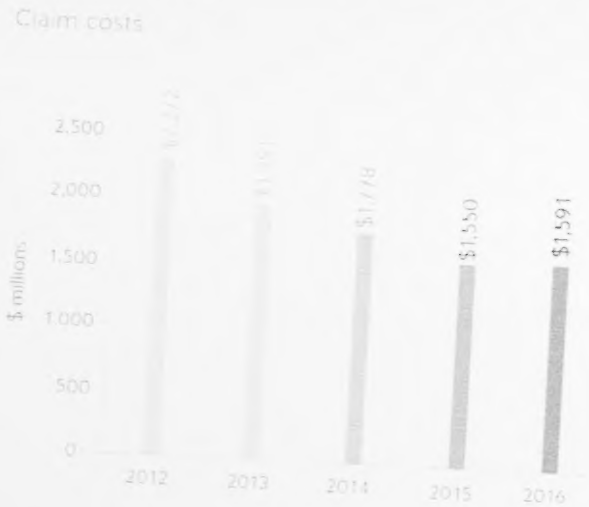
($ millions)	2016	2015	Change
Income distributions from investments	735	758	(23)
Net realized gains on investments	596	502	94
Net unrealized (losses) gains on investments	(505)	46	(551)
Total	**826**	**1,306**	(480)

Claims

Workers' compensation claims make up WorkSafeBC's largest cost and liability.

Claim costs

Claim costs consist of benefit payments and the change in actuarial valuation of benefit liabilities. In 2016, our overall claim costs increased by $41 million. Benefit payments of $1.5 billion were $15 million higher than in 2015, while actuarial valuation adjustments were $26 million higher. A breakdown of these costs is provided in the table at the bottom of the page.



Benefit payments include an internal allocation of costs for the Vocational Rehabilitation department and claim administration. Benefit payments and the change in actuarial valuation of benefit liabilities are discussed in further detail in the next two sections.

Benefit payments

Short-term disability payments of $279 million in 2016 were at the same level as 2015. Total days paid for short-term disability claims remained relatively unchanged at 2.6 million days.

Long-term disability payments, the largest category of payments WorkSafeBC makes on an annual basis, totalled $514 million in 2016, a $17 million increase over 2015. This increase can be attributed to a higher volume of pensions as well as annual indexing. There was a six percent increase in the number of new pension awards in 2016 with a marginal decrease in average cost per award.

Survivor benefit payments of $67 million have remained at approximately the same level for the last five years.

Health care payments decreased by $1 million in 2016, to $330 million. While expenditures related to hospital intensive care and emergency services, occupational rehabilitation, and hearing aids for injured workers increased over 2015, this increase was offset by reduced costs in other health care programs — including expenditures related to physicians' services and the number of workers requiring expedited surgeries.

Vocational rehabilitation benefit payments decreased by $9 million in 2016, to $99 million. These expenditures reflect improved work processes which are providing more timely service, six percent fewer claims, and continued success in getting seriously injured workers back to work. In 2016, 80.6 percent of workers receiving vocational rehabilitation successfully returned to work (see KPI #3, page 38).

Claim administration payments totalled $260 million in 2016 — an increase of $8 million over the prior year — due to increased staff costs. These costs are discussed in the overall explanation of administration costs, in the Operating costs section (page 74).

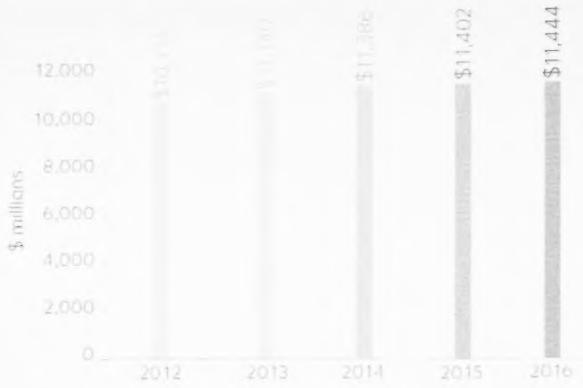
Claim costs

($ millions)	2016			2015			
	Benefit payments	Change in actuarial valuation of benefit liabilities	Total	Benefit payments	Change in actuarial valuation of benefit liabilities	Total	Change
Short-term disability	279	(12)	267	279	(12)	267	—
Long-term disability	514	49	563	497	43	540	23
Survivor benefits	67	4	71	67	3	70	1
Health care	330	(14)	316	331	4	335	(19)
Vocational rehabilitation	99	(8)	91	108	3	111	(20)
Claim administration	260	22	282	252	(26)	226	56
Latent occupational disease	—	1	1	—	1	1	—
Total	**1,549**	**42**	**1,591**	**1,534**	**16**	**1,550**	**41**

Claim benefit liabilities

Claim benefit liabilities represent an estimate of the present value of future payments to be made on claims and are calculated based on actuarial assumptions. The methods and assumptions used by WorkSafeBC and resulting liability valuations are reviewed by an independent actuary (see Actuary's Report on page 82).

Benefit liabilities



In 2016, total benefit liabilities increased by $42 million or about 0.4 percent. This relatively small overall increase is broken down by claim benefit type in the table that follows. The $42 million increase was mostly driven by long-term disability and claim administration. The increase in long-term disability liability reflects a projected mortality improvement in 2016, plus normal liability accretion.[53] The increase in claim administration liability was mostly due to a higher average claim administration expense rate (refer to Note 10 of the consolidated financial statements, page 116) in 2016.

In estimating benefit liabilities, the two most important underlying assumptions are the net discount rate and anticipated future payment pattern.

Net discount rate — Expected future benefit payments are discounted to arrive at a present value liability amount. A change of one percentage point in the overall discount rate would see liabilities shift by approximately $1.3 billion. See Note 10 of the consolidated financial statements, page 117, for further information on net discount rates used in calculating the various components of benefit liabilities.

Future payment pattern — Benefit liabilities consist of two major categories (excluding the liability for long-latency occupational diseases, see below). Each category incorporates an estimate of the future payment pattern:

- Pension awards, capitalized values — This is the present value of monthly annuities (or pensions) already awarded to workers (long-term disability) or the survivors of deceased workers. As the award amounts are already known, the potential estimation error in this $5.4 billion liability is relatively small.
- Provision for unfinalled claims — This is the present value of estimated future payments relating to injuries that have already occurred or diseases that have already been diagnosed, but where a pension award has not (in some cases) been made. The unfinalled claims liability is currently estimated at $5.7 billion. While WorkSafeBC cannot determine the exact measure of uncertainty in the unfinalled claim liability estimate, historical data suggests it could range from plus or minus 20 percent (or about $1.1 billion).

Benefit liabilities

	2016				2015				
($ millions)	**Unfinalled claims**	**Pension awards**	**Future claims**	**Total**	**Unfinalled claims**	**Pension awards**	**Future claims**	**Total**	**Change**
Short-term disability	297	—	—	297	309	—	—	309	(12)
Long-term disability	1,795	4,511	—	6,306	1,809	4,448	—	6,257	49
Survivor benefits	108	844	—	952	107	841	—	948	4
Health care	2,527	—	—	2,527	2,541	—	—	2,541	(14)
Vocational rehabilitation	301	—	—	301	309	—	—	309	(8)
Claim administration	709	—	—	709	687	—	—	687	22
Latent occupational disease	—	—	352	352	—	—	351	351	1
Total	**5,737**	**5,355**	**352**	**11,444**	**5,762**	**5,289**	**351**	**11,402**	**42**

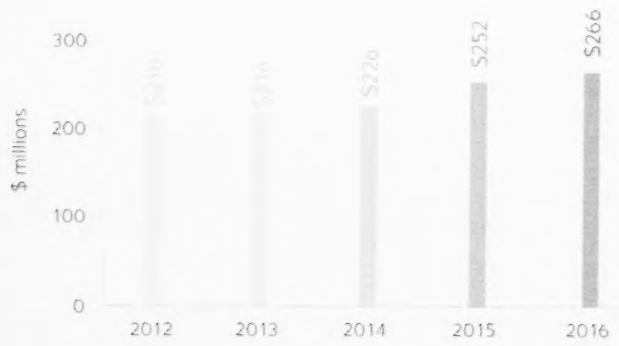
Factors such as short-term disability duration, the success of vocational rehabilitation in returning injured workers to employment, the likelihood of injured workers receiving long-term disability awards, rising costs associated with increased use of health care services, and general economic conditions could all influence a change in liability value. Judicial or legislative decisions that alter policy or scope of coverage and/or accounting and actuarial standards changes could also affect the valuation of benefit liabilities.

Provision for future long-latency occupational disease claims — Workers' compensation organizations are required to recognize a liability for long-latency occupational diseases. These are occupationally-caused diseases (for which there has already been some exposure to the disease-causing agent), recognized as compensable, expected to manifest as claims in future years. At December 31, 2016, this liability was valued at $352 million.

Operating costs

Operating costs include prevention costs, administration costs, injury research and reduction initiatives, bad debts, and investment costs. In 2016, operating costs increased by $14 million over 2015; administration costs — the largest component of operating costs — increased by $20 million. See table at the bottom of the page.

Operating costs



WorkSafeBC's prevention costs increased by 4.5 percent in 2016, or $3 million, while administration costs (including claim administration) increased by 5.4 percent, or $20 million. Prevention costs increased due to the hiring of new prevention officers — among various prevention-related initiatives undertaken in 2016 that included increasing the Residential Asbestos Enforcement, Confined Space, and Bullying and Harassment teams while expanding the Key Account Management capacity and quality teams. Claim and other administration cost increases were primarily due to higher staff costs resulting from negotiated increases in the Collective Agreement and actuarial adjustments to employee benefit plan liabilities. Accounting for more than half the total increase, increased employee benefit costs were due to changes in actuarial assumptions related to employee benefit plans.

Claim administration payments relate to the portion of operating costs incurred to adjudicate claims for compensation, manage claims, and process claim payments. These claim administration payments are excluded from total operating costs as they are already included as a claim cost, in keeping with the standardized financial statement presentation used by workers' compensation organizations in Canada.

We measure administration cost efficiency using the ratio of annual administration costs per $100 of assessable payroll, a key performance indicator for WorkSafeBC. In 2016, the administration cost ratio was $0.49 — $0.01 higher than the 2015 result of $0.48 and $0.02 better than our 2016 budgeted ratio of $0.51. See page 55 for further discussion.

In 2016, expenses for injury research and reduction initiatives remained at $17 million, as per 2015. In 2016, a decrease of $4 million in bad debts was attributed to lower assessment write-offs and a lower provision for doubtful accounts. During the year, investment costs increased by $3 million; this was partly due to an increase in the portfolio value, as well as an increase in bcIMC's overall investment management fee.

Operating costs

($ millions)	2016	2015	Change
Prevention costs	70	67	3
Administration costs	389	369	20
Less: Claim administration payments	(260)	(252)	(8)
	199	**184**	**15**
Injury research and reduction initiatives	17	17	—
Bad debts	5	9	(4)
Investment costs	45	42	3
Total	**266**	**252**	**14**

Comparison to plan

Each year, WorkSafeBC prepares pro forma financial projections as part of its annual business planning process. Performance targets for KPIs #8 and #9 (see pages 52 and 55) are based on these projections.

Comparison to plan

($ millions)	2016 actual	2016 plan	Favourable (unfavourable) variance
Premium income	1,494	1,428	66
Investment income	826	869	(43)
Other income	8	6	2
Total revenues	**2,328**	**2,303**	**25**
Claim costs	1,591	1,901	310
Operating costs			
Prevention and administration costs	459	472	13
Less: Claim administration payments	(260)	(273)	(13)
Injury research and reduction initiatives	17	18	1
Bad debts	5	7	2
Investment costs	45	42	(3)
Total expenses	**1,857**	**2,167**	**310**
Operating surplus	471	136	335
Other comprehensive income	17	—	17
Total comprehensive income	**488**	**136**	**352**
Funding level (AWCBC[1] metric)	142%	138%	4 points
Percentage of target funding level achieved	99%	97%	2 points

[1] Association of Workers' Compensation Boards of Canada

In 2016, $488 million in total comprehensive income was $352 million better than planned — primarily due to lower-than-budgeted claim costs and higher-than-budgeted premium income. The favourable variance of $310 million in claim costs more than offsets the unfavourable variance of $43 million in investment income.

To return a portion of previously accumulated surplus to employers, premiums were set at a lower rate than required to cover current-year costs (see gain and loss table in the Overview section, page 66). However, premium income was favourable for the year due to a larger provincial assessable payroll and unbudgeted revisions to prior-year assessment revenues.

Investment income was budgeted in accordance with our long-term investment return assumption (i.e., a required rate of return equal to: discount rate of 3.0 percent plus an assumed consumer price index (CPI) increase of 2.5 percent). The actual return for the year was lower than the budgeted return of 5.5 percent.

Claim costs were less than planned in 2016 due to benefit payments and claim liabilities that were, respectively, $63 million and $247 million lower than budgeted. All categories of benefit payments were favourable to plan,with the largest variances due to a lower number of vocational rehabilitation claims, lower monthly long-term disability pensions, and lower average health care costs per claim. The favourable variance in claim liabilities was primarily from lower health care liabilities due to lower payments, lower pension liabilities due to a lower CPI, and lower other unfinalled claim liabilities due to lower wage growth.

Operating costs were also under budget for the year. The favourable variance in prevention and administration costs was due primarily to lower payroll and employee benefit costs, and lower project and depreciation costs than planned.

An unplanned $17 million gain on the actuarial valuation of employee benefit plans (reflected in the other comprehensive loss category, see page 67) was due to higher-than-expected returns on plan assets.

In 2016, funding for the Accident Fund was 142 percent (assets compared to liabilities) while the percentage of the target asset level achieved was 99 percent (assets compared to the target asset requirement level). Both measures were better than projected due to higher-than-expected total comprehensive income in 2016.

Accounting standards

The consolidated financial statements in this annual report were prepared in accordance with International Financial Reporting Standards (IFRS). Accounting standards continue to evolve and some future changes could significantly impact WorkSafeBC's financial reporting. We closely monitor International Accounting Standards Board (IASB) projects for any upcoming changes that could materially impact our consolidated financial statements.

The IASB is expected to issue a new accounting and financial reporting standard for insurance contracts (IFRS 17) in the first half of 2017, with an earliest possible effective date of 2021. The long lead time proposed by the IASB recognizes the complexity of the standard. Implementation of IFRS 17 may also consequentially impact our application of the accounting standard for financial instruments (IFRS 9).

While the impact of the new standard for insurance contracts cannot currently be quantified, it is anticipated the revisions could materially impact WorkSafeBC's claim benefit liabilities valuation. WorkSafeBC management will be developing a plan and timeline to analyze the standard and make informed accounting policy decisions.

Risk management

Our strategic framework requires that management review external and internal factors to assess the risks facing our organization — including risks to programs, operations, finances, information, facilities, and staff required by WorkSafeBC to provide ongoing services to British Columbians.

Like any organization, we are susceptible to risks that could lead to significant consequences if unmitigated. As such, we have established internal controls, policies, and processes to assist in containing those risks. An Internal Audit department, reporting regularly to the Audit Committee of the Board of Directors, conducts operational and control audits to test for compliance. The Audit Committee also receives semi-annual reporting on key risk factors, including assessments of the potential impact of identified risks and the likelihood they will occur, as well as the effectiveness of risk management.

The chart that follows shows the 2016 assessment of residual risks for 11 categories, from low (green) to extreme (red). Residual risk assessment considers the processes and controls in place to manage risk. Key strategic, financial, and operational risk factors are discussed in this section. All risk assessments in this section are intended to be forward-looking in nature.

Occupational health and safety

WorkSafeBC's occupational health and safety risk is considered moderate. Our prevention strategy, coupled with the efforts of B.C.'s workers, employers, health and safety associations, and other stakeholders, helps maintain a low provincial injury rate. Maintaining a low injury rate is paramount, as a lower rate means fewer workers injured through work-related incidents. A one percent increase in the number of injuries would increase the system costs by approximately $13 million and, by extension, the annual premium rate by one percent.

We will continue working with our business and labour partners to address occupational health and safety risks; focus on emerging issues; engage in proactive enforcement targeting high-risk sectors; and support injury prevention education and awareness and occupational disease risk-reduction programs.

See KPI #1 (page 30) for further discussion of the provincial injury rate.

Claim management

Our claim management risk is rated as moderate. Key performance indicators relating to claim management — timeliness of short-term disability payments (KPI #4), return-to-work outcomes for workers on short-term disability (KPI #2), and return-to-work outcomes for workers in vocational rehabilitation (KPI #3) — all exceeded targets in 2016. The number of days from disablement date to first payment was 17.6 (compared to target of 18.0 days).

Our efforts helped return 82.7 percent of injured workers to work by the 26-week mark (compared to target of 82.0 percent), while 80.6 percent of injured workers receiving vocational rehabilitation also returned to work (compared to target of 78.0 percent).

The number of registered claims has shown minor growth over the past few years, allowing active claim levels to be more manageable. However, the number of mental health claims and resulting claim costs continues to grow significantly; therefore, this area is being diligently monitored and addressed as appropriate.

See KPIs #2, #3, and #4 (pages 36, 38, and 42) for further discussion of WorkSafeBC's claim management and return-to-work programs.

Stakeholder relations

As our customer service and public confidence ratings are favourable, our stakeholder relations risk has been assessed as moderate. Service to our stakeholders remains a priority. WorkSafeBC gathers feedback through regular surveys and focus groups, allowing us to better understand the needs of our customers and measure interactions that drive stakeholder perceptions of our organization. Consequently, we can better tailor business decisions to meet the needs of workers and employers and improve overall service.

See KPIs #5, #6, and #7 (pages 44, 46, and 48, respectively) for further discussion of WorkSafeBC's customer service and public awareness programs.

Business continuity

Our business continuity risk is considered moderate as WorkSafeBC has a tested corporate business continuity plan in place to ensure critical services can be maintained or expeditiously restored in the event of a business disruption. Tests have included a facilitated analysis of a simulated emergency situation at a WorkSafeBC facility involving our emergency response team, communications staff, and senior executives.

Insurance underwriting

WorkSafeBC's insurance underwriting risk is rated moderate as there is always the possibility that premium rates are not set at a sufficient level to maintain the sustainability of the workers' compensation system. However, ongoing efforts aim to mitigate risk in this area. These efforts include: monitoring the financial health and ongoing viability of rate groups and industry pools; reviewing the actuarial model and assumptions used to price rate group premiums and liabilities; and communicating with stakeholders on rate-setting methodology and the importance of maintaining an appropriate funding level. Our strategies to manage underwriting risk as well as the capital management and investment risk management strategies, discussed in the Capital management section below, also mitigate premium rate volatility. Additionally, these strategies mitigate the risks associated with a sustained period of investment returns below liability requirements (i.e., where future base rates would need to be increased to cover both the cost rate for current-year claims and the annual interest requirement on the liability from prior-years' claims). For a discussion on premium rates, see page 68.

Capital management

Capital management has a high residual risk rating because we are managing an investment portfolio valued at $16.1 billion and many investment risks cannot be directly controlled. These risks include significant market swings, geopolitical events, and interest rate changes driven by global monetary, fiscal, and trade policies.

To manage these types of risks, WorkSafeBC has a prudent investment policy with oversight from a Board-appointed Investment Committee and a capital adequacy policy to mitigate market volatility and uncertainty in estimated liabilities.

To be a financially sound insurer, WorkSafeBC aspires to meet risk capital tests — such as those imposed on private insurers by regulatory authorities. WorkSafeBC's capital adequacy policy,[14] setting out a target asset level, is based on guidelines issued by the federal Office of the Superintendent of Financial Institutions (OSFI). While WorkSafeBC is not subject to OSFI regulatory oversight, our decision to voluntarily adopt a capital coverage target is in keeping with our strategic objective of maintaining a financially sustainable system. At year-end 2016, WorkSafeBC's funding level was at 99 percent of the target capital level. Further information on the capital management strategy and funding level is provided in the discussion for KPI #8 (see page 52).

Additional disclosure on WorkSafeBC's investment risk management is provided in Note 4 of the consolidated financial statements, pages 98-101.

Financial management

Our financial management risk is rated as moderate. WorkSafeBC's management is responsible for maintaining cost-effectiveness and accountability in the services we deliver. As such, we have implemented a system of internal controls to ensure appropriate financial policies and procedures are in place as well as the reliability of our financial information and reporting.

Claim and administration costs are managed through formal budgeting, monthly reporting, and variance analysis procedures. Our claim management system and Business

Information and Analysis department provide reports and analyses to help us manage claim costs. Administration costs are compared against other Canadian workers' compensation organizations, as reported in Appendix A (see page 137).

Fraud and abuse are risks faced by every organization, particularly those with an insurance function. Through a fraud prevention strategy, WorkSafeBC is committed to effective fraud risk management.

Legislation and policy

Our legislation and policy risk is considered moderate. Every day, WorkSafeBC employees make thousands of decisions regarding compensation, prevention, assessment, and rehabilitation affecting workers and employers. To improve consistency in decision making and ensure compliance with applicable legislation, regulation, and policy, this process is subject to both internal review and external appeal. See KPI #10 (page 57) for further discussion on decision-making improvement efforts.

Human resources

WorkSafeBC's human resources risk is rated as moderate. Our Human Resources division monitors risk factors associated with employee training and development, talent management and succession planning, staff health and safety, and labour relations, ensuring appropriate plans are in place to mitigate related risks.

Information infrastructure

Our information infrastructure risk is rated as moderate. As we rely on information technology to successfully fulfill our mandate, the security of personal records, reliability of data, and robustness of information systems are essential to our operations. To mitigate the risk of a system failure or breach, WorkSafeBC has security measures to protect all critical data and systems. We also maintain a technology recovery plan that, if activated, would allow key systems to be restored and essential services maintained.

Strategic

WorkSafeBC's strategic risk is considered moderate. Our Board of Directors is legislatively responsible for setting the organization's priorities and planning for its future. The current strategic plan, *Safe Work & Outstanding Service — WorkSafeBC's Strategic Plan 2012-2017*, covers the period through year-end 2017. This strategic plan is outlined in the Our Performance section; progress in meeting our objectives is measured and discussed starting on page 24.

Our Board of Directors and members of the executive team are working to outline our next five-year strategic plan.

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Responsibility for Financial Reporting

WorkSafeBC's management is responsible for preparing the accompanying consolidated financial statements in accordance with International Financial Reporting Standards. These consolidated financial statements include some amounts based on management's best estimates and judgments.

Management is responsible for the integrity and fairness of the consolidated financial statements and has established systems of internal control to provide reasonable assurance that relevant and reliable financial information is produced and that assets are safeguarded from loss.

The Board of Directors is responsible for overseeing management in the performance of its financial reporting responsibilities and has approved the consolidated financial statements and other financial information included in this annual report.

The Audit Committee assists the Board of Directors in discharging its responsibilities. This committee reviews and recommends approval of the consolidated financial statements and meets periodically with management, internal and external actuaries, and internal and external auditors concerning internal controls and all other matters relating to financial reporting.

WorkSafeBC's actuarial staff performs an annual actuarial valuation of the claim benefit liabilities included in the consolidated financial statements of WorkSafeBC.

WorkSafeBC has appointed an independent peer actuary, Eckler Ltd., to review the annual actuarial valuation of the claim benefit liabilities and report thereon in accordance with accepted actuarial practice.

The Internal Audit department performs audits to test the adequacy and consistency of WorkSafeBC's internal controls, practices, and procedures.

WorkSafeBC's external auditor, PricewaterhouseCoopers LLP, has full and unrestricted access to the Audit Committee. They have performed an independent audit of WorkSafeBC's consolidated financial statements in accordance with Canadian generally accepted auditing standards. Their report outlines the scope of this independent audit and their opinion on the consolidated financial statements of WorkSafeBC.

Diana Miles, BA, CPHR
President and Chief Executive Officer
WorkSafeBC

Brian Erickson, MBA, CPA, CGA
Chief Financial Officer
WorkSafeBC

April 19, 2017

Eckler

Actuary's opinion

The liabilities included herein have been computed by WorkSafeBC in accordance with methods and assumptions approved by us. We reviewed the calculations and performed tests to confirm their accuracy and the reasonableness of results. We have also examined the data upon which the calculations were based and found it to be sufficient and reliable for the purpose of the valuation and consistent with WorkSafeBC's financial statements.

The liabilities under pension awards, capitalized values are for pensions in payment, and include the effect of cost-of-living increases granted effective January 1, 2017. They have been computed using the same assumptions used for the valuation as at December 31, 2015. A net interest rate of 4.0 percent was used to discount pensions. This rate makes implicit provision for the future indexing of pensions on the assumption that investment earnings on WorkSafeBC's assets will exceed increases in the Consumer Price Index (CPI) by 3.0 percent per year, over the long term, and that indexing will be provided at CPI minus 1.0 percent. The mortality rates used make allowance for future mortality improvements. In addition, the liabilities have been adjusted to reflect the anticipated improvements since 2012, the last time the mortality rates were reviewed.

The provision for unfinalled claims represents the liabilities for future claims costs in respect of injuries which occurred during 2016 and prior years, including future pensions other than those already in payment, and future claim administration expenses. It is based on projections of future claim payments and awards using ratios developed from WorkSafeBC's claims experience, average benefit rates, net discount rates reflecting the real rate of return above and, where applicable, the mortality and other assumptions used for computing pension liabilities (including an adjustment for anticipated mortality improvements since 2012). The health care liability is calculated assuming that health care costs will increase at the same rate as investment returns, resulting in a net discount rate for this liability of 0 percent.

The methods used in calculating the above mentioned liabilities were substantially the same as those employed in the previous valuation as at December 31, 2015.

The latent occupational disease liability is for future benefit payments on occupational disease claims that will be diagnosed in the future, but for which some exposure to disease-causing agents has already occurred. The estimated future benefits are discounted to the valuation date and are adjusted to reflect the estimated portion of the total latency period exposure which has already transpired.

In our opinion, the data are sufficient and reliable for the purposes of the valuation, the assumptions made and the methods used are appropriate for the purposes of the valuation. In our opinion, the resulting amounts set out below make reasonable provision, as at December 31, 2016, for the future benefit and claims administration expenditures of WorkSafeBC in respect of injuries to December 31, 2016. Our review has been carried out, and our opinions given, in accordance with accepted actuarial practice in Canada.

($ thousands)	Pension awards, capitalized values	Provision for unfinalled claims	Latent occupational disease	Total
Benefit liabilities:				
Short-term disability	—	296,789	—	296,789
Long-term disability	4,510,945	1,794,877	—	6,305,822
Survivor benefits	843,948	107,693	—	951,641
Health care	—	2,526,728	—	2,526,728
Vocational rehabilitation	—	301,634	—	301,634
Claim administration	—	709,514	—	709,514
Latent occupational disease	—	—	351,621	351,621
	5,354,893	**5,737,235**	**351,621**	**11,443,749**

Richard A. Border, FIA, FCIA

Wendy F. Harrison, FSA, FCIA

Actuaries with the firm of Eckler Ltd.

April 6, 2017

pwc

April 21, 2017

Independent Auditor's Report

To the Board of Directors of WorkSafeBC

We have audited the accompanying consolidated financial statements of WorkSafeBC and its subsidiaries, which comprise the consolidated statement of financial position as at December 31, 2016 and the consolidated statement of comprehensive income, changes in funded position and cash flows for the year then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of WorkSafeBC and its subsidiaries as at December 31, 2016 and their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP

Chartered Professional Accountants

PricewaterhouseCoopers LLP
PricewaterhouseCoopers Place, 250 Howe Street, Suite 1400, Vancouver, British Columbia, Canada V6C 3S7
T: +1 604 806 7000, F: +1 604 806 7806, www.pwc.com/ca

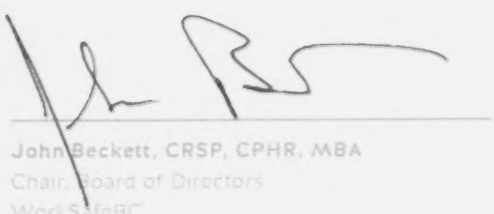
"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

Consolidated statement of financial position
($ Canadian thousands)

	Note	December 31, 2016	December 31, 2015
Assets			
Cash	6	39,576	122,959
Receivables	3	490,873	471,658
Portfolio investments	4	16,111,031	15,463,210
Property and equipment	5	195,060	195,345
Intangible assets	5	54,806	65,133
Benefit asset of employee pension plan	9	97,252	107,018
Total assets		**16,988,598**	**16,425,323**
Liabilities and funded position			
Outstanding payments	6	8,084	26,078
Payables and accruals	7	74,767	60,882
Injured workers' retirement benefit liability	8	68,130	54,522
Employee benefit liabilities	9	390,406	366,788
Claim benefit liabilities	10	11,443,749	11,401,737
Total liabilities		**11,985,136**	**11,910,007**
Unappropriated balance		1,419,707	1,722,076
Accumulated other comprehensive loss		(143,245)	(159,760)
Reserves	11	3,727,000	2,953,000
Total funded position		**5,003,462**	**4,515,316**
		16,988,598	**16,425,323**

The accompanying notes are an integral part of the consolidated financial statements.

Authorized for issue on April 19, 2017, on behalf of the WorkSafeBC Board of Directors:



John Beckett, CRSP, CPHR, MBA
Chair, Board of Directors
WorkSafeBC

Alan Cooke, FCIA, FSA
Chair, Audit Committee
WorkSafeBC

Consolidated statement of comprehensive income for the years ended December 31 ($ Canadian thousands)

	Note	2016	2015
Income			
Premiums	12		
Rateable employers		1,465,262	1,388,407
Self-insured employers	13	28,515	24,856
		1,493,777	1,413,263
Investments	4		
Interest income		226	281
Income distributions from pooled funds		666,685	676,859
Income from investment entities		68,283	81,346
Net realized gains on investments		595,672	501,520
Net unrealized (losses) gains on investments		(504,543)	46,228
		826,323	1,306,234
Other income	14	8,330	10,534
Total income		**2,328,430**	**2,730,031**
Expenses			
Claim costs	10		
Benefit payments		1,548,899	1,533,627
Changes in actuarial valuation of benefit liabilities		42,012	15,816
		1,590,911	1,549,443
Prevention and administration costs	15		
Prevention costs		70,068	67,116
Administration costs		389,058	368,819
Less: Claim administration costs		(260,061)	(251,845)
		199,065	184,090
Injury research and reduction initiatives	16	16,899	16,948
Investment costs	4	45,152	42,399
Bad debt expense	3	4,772	9,323
Total expenses		**1,856,799**	**1,802,203**
Surplus for the year		**471,631**	**927,828**
Other comprehensive income			
Items that will not be subsequently reclassified to income or expenses			
Actuarial gains on employee benefit plans	9	16,515	66,836
Total comprehensive income		**488,146**	**994,664**

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated statement of changes in funded position ($ Canadian thousands)

	Note	December 31, 2016	December 31, 2015
Unappropriated balance — opening balance		1,722,076	1,348,248
Surplus for the year		471,631	927,828
Appropriation to Capital Adequacy Reserve	11	(774,000)	(554,000)
Unappropriated balance — closing balance		**1,419,707**	**1,722,076**
Accumulated other comprehensive loss — opening balance		(159,760)	(226,596)
Actuarial gains on employee benefit plans	9	16,515	66,836
Accumulated other comprehensive loss — closing balance		**(143,245)**	**(159,760)**
Reserves — opening balance	11	2,953,000	2,399,000
Appropriation to Capital Adequacy Reserve from unappropriated balance	11	774,000	554,000
Reserves — closing balance		**3,727,000**	**2,953,000**
Total funded position		**5,003,462**	**4,515,316**

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated statement of cash flows for the years ended December 31 ($ Canadian thousands)

	Note	2016	2015
Cash obtained from (used for) operating activities			
Cash received from:			
Employers' premiums		1,470,331	1,361,803
Other		8,330	10,534
		1,478,661	1,372,337
Cash paid to:			
Claimants or third parties on behalf of claimants		(1,288,837)	(1,281,782)
Employees and vendors for goods and services		(378,061)	(384,827)
		(1,666,898)	(1,666,609)
Net cash flow used for operating activities		**(188,237)**	**(294,272)**
Cash obtained from (used for) investing activities:			
Interest income		226	281
Sale of portfolio investments		4,011,913	4,208,216
Purchase of portfolio investments		(3,877,896)	(3,782,081)
Sale of property, equipment, and intangible assets		178	382
Purchase of property, equipment, and intangible assets		(11,573)	(12,475)
Net cash flow from investing activities		**122,848**	**414,323**
Net (decrease) increase in cash and outstanding payments		(65,389)	120,051
Cash and outstanding payments — January 1		96,881	(23,170)
Cash and outstanding payments — December 31	6	**31,492**	**96,881**

The accompanying notes are an integral part of the consolidated financial statements.

Unless otherwise stated, all dollar amounts are in thousands of Canadian dollars.

Note 1 — Nature of operations

General information

WorkSafeBC administers the *Workers Compensation Act* (the Act) for the British Columbia Ministry Responsible for Labour. WorkSafeBC has its corporate office in Richmond, B.C., Canada, with area offices in various locations throughout the province. Under the Act, WorkSafeBC's primary functions include: establishing and enforcing occupational health and safety standards; compensating workers for occupational injury, disease, or death; rehabilitating injured workers; collecting the funds necessary for its operations from employers covered under the Act; and managing the portfolio investments.

Premium rates are established at a level to provide for current and future costs of claims and operations arising from current claims, subject to a capping policy to moderate excessive changes in rates from year to year. When considered necessary, WorkSafeBC may also levy a special premium.For rate-setting purposes, unappropriated balance and accumulated other comprehensive income (loss) are amortized on a five-year averaging basis through adjustments to future premium rates.

WorkSafeBC does not receive government funding or other financial assistance. The Act requires that an Accident Fund be maintained to meet all present and future costs and liabilities for injuries arising in the current and previous years. The financial strategy of WorkSafeBC is to accumulate adequate capital reserves to mitigate the risks in its assets and liabilities. While International Financial Reporting Standards (IFRS) are the reporting basis for the consolidated financial statements, WorkSafeBC applies a smoothed accounting method for the funding policy (see Financial Context, page 16). This policy helps manage premium rate volatility caused by short-term financial market fluctuations.

Note 2 — Significant accounting policies

Basis of preparation

WorkSafeBC's consolidated financial statements have been prepared in accordance with IFRS in effect as at December 31, 2016, adopted by the Canadian Accounting Standards Board as Canadian generally accepted accounting principles for publicly accountable enterprises. WorkSafeBC presents its consolidated statement of financial position in order of liquidity. The principal accounting policies applied in preparing the consolidated financial statements are set out below.

Basis of measurement

These consolidated financial statements have been prepared on a historical cost basis, except for the carrying value of land, which is measured at deemed cost (fair value at the date of transition to IFRS), and certain financial assets and liabilities, which are measured at fair value, as explained in the accounting policies below.

Basis of consolidation

WorkSafeBC invests in private placements, foreign real estate, and strategic assets through investment entities. In each case, WorkSafeBC owns 100 percent of the participating, non-voting shares of the entity and the British Columbia Investment Management Corporation (bcIMC), WorkSafeBC's investment manager, owns one non-participating voting share of the entity. The voting share gives bcIMC full authority to manage these investment entities on WorkSafeBC's behalf. WorkSafeBC controls the investment entities as WorkSafeBC is exposed to, or has rights to, variable returns from its involvement with these entities and has ability to affect those returns through its power over the entities. The substance of the relationship between WorkSafeBC and the investment entities indicates they are controlled by WorkSafeBC. Investment entities are fully consolidated from the date on which control is transferred to WorkSafeBC; they are deconsolidated from the date that control ceases. WorkSafeBC has consolidated financial statements of 62 (2015: 50) investment entities within these financial statements.

Transactions, balances, and unrealized gains or losses on transactions between WorkSafeBC and the investment entities are eliminated.

Note 2 — continued

Use of estimates and measurement uncertainty

In accordance with IFRS, WorkSafeBC's consolidated financial statements include management's judgments, assumptions, and estimates of the reported amounts of assets and liabilities as at the date of the consolidated financial statements, as well as the reported amounts of revenues and expenses during the reporting periods presented. As a result, some reported amounts are subject to measurement uncertainty. Measurement uncertainty exists when there is a variance between the recognized amount and another reasonable amount. Assumptions and estimates are reviewed on an ongoing basis, with any related revisions recorded in the period when they are adjusted. Consequently, actual results may differ from management's best estimates by material amounts. Claim benefit liabilities and costs (Note 10), claim administration costs (Note 10), accrued premiums (Note 12), employee benefit assets, liabilities, and costs (Note 9), and Level 3 portfolio investments (Note 4) are the most significant items reflecting estimates in these consolidated financial statements.

Specific accounting policies and related critical judgments

To facilitate better understanding of WorkSafeBC's consolidated financial statements, significant accounting policies and related critical judgments (where applicable) are disclosed in the notes of the accounting topics.

Note	Topic	Page
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5	Property, equipment, and intangible assets	102
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7	Payables and accruals	105
8	Injured workers' retirement benefit liability	106
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Changes in accounting policy

International Financial Reporting Standards that came into effect during the year

Amendments to IAS 1 (*Presentation of Financial Statements*), issued in December 2014, provided guidance on how to apply the concept of materiality in practice and became effective for annual periods beginning on or after January 1, 2016. WorkSafeBC's consolidated financial statements have not been materially affected by these amendments.

International Financial Reporting Standards issued but not in effect in 2016

IFRS 9 (2014) (*Financial Instruments*) was issued in July 2014, with mandatory adoption for reporting periods on or before January 1, 2018 and early adoption permitted. It permits a new measurement category, Fair Value through Other Comprehensive Income (FVOCI), for business models whereby some financial instruments are held for the purpose of collecting contractual cash flows and for sale purposes. IFRS 9 (2014) also contains a new impairment model that will result in earlier recognition of losses. WorkSafeBC is considering the impacts of this revised standard in conjunction with future implementation of IFRS 17 (*Insurance Contracts*).

IFRS 16 (*Leases*) was issued in January 2016 and replaced IAS 17 (*Leases*). The new standard is effective for reporting periods beginning January 1, 2019, with earlier adoption permitted. WorkSafeBC has reviewed its leasing contracts and determined the only leases applicable under the new standard are for leased facilities. In accordance with the standard, both the right-to-use assets and lease liabilities will be included in the statement of financial position. Based on current information, the amounts will not be material.

Future accounting and reporting changes

The IASB is continually improving and developing new accounting standards and has issued several exposure drafts of new standards expected to come into effect over the next several years. WorkSafeBC regularly monitors IASB work plans and publications, assessing for any potential impact.

Revisions to standards that could have significant impact on WorkSafeBC include IFRS 17 (*Insurance Contracts*). The standard is expected to be released in the first half of 2017 with the earliest possible effective date of 2021. At the time of writing, the impact of this new standard could not be reasonably estimated.

Note 3 — Receivables

Accounting policy

Receivables are non-derivative financial assets, not quoted in an active market, with fixed or determinable payments. They primarily arise from premiums, but also incorporate other types of contractual monetary assets. Under IFRS 9, receivables are classified as amortized cost financial assets and recorded at fair value on initial recognition; they are subsequently measured at amortized cost. The carrying value of these items approximates fair value due to their short-term nature.

Accrued premiums

Employers are required to periodically report their assessable payrolls and remit premiums owing. The employer deadline for reporting and remitting for the period ending December 31 is not until after year-end, so WorkSafeBC estimates the unremitted portion of premium revenue. The accrual of premiums is calculated using the estimated assessable payroll for the year and applying current-year premium rates. The estimated assessable payroll is determined using the actual reported payroll and projected payroll to December 31, taking into account economic changes in the province.

Self-insured employers

The receivable from self-insured employers represents a provision for expected future costs of current claims for self-insured classes, for which the final settlement has not been determined. This receivable also includes unpaid current billings.

Receivables

	December 31, 2016	December 31, 2015
Premiums receivable		
Premiums and accrued premiums	348,070	327,517
Self-insured employers	142,974	140,150
	491,044	467,667
Prepaid expenses	17,888	16,076
Other receivables	13,402	18,376
Provision for doubtful accounts	(31,461)	(30,461)
Total	**490,873**	**471,658**

Changes in the provision for doubtful accounts are as follows:

	Premiums receivable	Other receivables	Total
January 1, 2015	**16,600**	**10,248**	**26,848**
Additions	14,276	5,140	19,416
Write-offs	(7,286)	(2,700)	(9,986)
Reductions	(4,953)	(864)	(5,817)
December 31, 2015	**18,637**	**11,824**	**30,461**
Additions	10,225	5,688	15,913
Write-offs	(4,842)	(2,541)	(7,383)
Reductions	(5,453)	(2,077)	(7,530)
December 31, 2016	**18,567**	**12,894**	**31,461**

Note 3 — continued

The total net addition to the provision for doubtful accounts in relation to premiums receivable in 2016 is $4,772 (2015: net addition of $9,323).

The current portion of receivables is estimated to be $368,059 (2015: $352,197).

Credit risk

Premiums receivable are from the employers of B.C. and comprise the full range of credit ratings of all employers. Their credit risk is largely subject to the economic circumstances they face; in periods of economic slowdown, credit risk is increased if some employers experience financial difficulties.

The maximum credit risk exposure is the carrying value of $491,043 (2015: $467,667).

Other receivables, not past due or impaired, have minimal credit risk due to the nature of the counter-party. These are primarily composed of: the goods and services tax (GST) refund receivable from the Government of Canada of $1,966 as at December 31, 2016 (December 31, 2015: $1,622); and vendor deposits of $1,827 as at December 31, 2016 (December 31, 2015: $1,707). For the remainder of other receivables, the maximum credit risk exposure is the carrying value of $1,209 (2015: $3,223).

Liquidity risk

The age of receivables past due but not impaired is as follows:

	December 31, 2016	December 31, 2015
Up to 90 days	7,052	8,401
91–180 days	2,421	1,220
181–360 days	5,545	5,368
361+ days	2,111	2,405
Total	**17,129**	**17,394**

Accounts receivable determined to be individually impaired include: employer accounts on which WorkSafeBC has obtained judgments attaching liens to land and insolvent accounts, of $3,997 as at December 31, 2016 (December 31, 2015: $3,753); and other specific employers with evidence of unlikely collection, totalling $6,385 (December 31, 2015: $4,624).

Note 4 — Portfolio investments

Accounting policy

WorkSafeBC invests in fixed-income, equity, inflation-sensitive, and other investments. The inflation-sensitive category includes asset classes with valuations that are affected by the inflation rate over the long term. The investments are held directly, through pooled fund products, and through investment entities managed by the British Columbia Investment Management Corporation (bcIMC).

Classification

IFRS 9 (2010) (*Financial Instruments: Classification and Measurement*) was early adopted effective January 1, 2011. This standard requires that reporting entities classify financial assets based on the objective of an entity's business model for managing its financial assets and the characteristics of the contractual cash flows. IFRS 9 (2010) permits two classifications for financial assets: fair value through profit or loss (FVTPL) and amortized cost.

All WorkSafeBC's portfolio investments, except directly held fixed-income securities, are classified as FVTPL investments. As permitted under IFRS 9 (2010), WorkSafeBC elected to designate its investment in directly held fixed-income securities as FVTPL investments. All portfolio investments are reported at fair value. The amounts by which fair value for these investments differ from cost represent unrealized gains or losses. Unrealized gains or losses are recognized as investment income on the consolidated statement of comprehensive income.

Unconsolidated structured entities

WorkSafeBC invests in pooled funds, with objectives ranging from achieving short-term investment income to long-term capital growth. As at December 31, 2016, WorkSafeBC's interests ranged from 1 percent (rounded) to 41 percent of the net assets of pooled funds held directly (2015: 0-50 percent), and varying percentages of pooled funds held through investment entities — none individually significant. WorkSafeBC's investments in these funds do not satisfy the elements for control and have not been consolidated. The majority of funds are managed by bcIMC. WorkSafeBC holds redeemable units in each of its investee funds that entitle the holder to a proportional share in the respective fund's net assets.

These investments are carried at fair value and presented as part of the portfolio investments in the consolidated statement of financial position. The change in fair value of the pooled funds is included in the consolidated statement of comprehensive income in net unrealized (losses) gains on investments.

WorkSafeBC's maximum exposure to loss from its interest in the pooled funds is equal to the total fair value of its investments.

Recognition and measurement

WorkSafeBC uses trade-date accounting for the purchase and sale of all financial instruments in its investment portfolio. Transactions are recorded on the date an agreement is entered (the trade date), not on the date the transaction is finalized (the settlement date). If the transaction involves interest, it is also recorded on the trade date. Where there are investment transactions pending settlement at December 31, this is disclosed as a receivable or payable.

WorkSafeBC's portfolio investments are measured at fair value. The fair values of foreign currency exchange contracts and directly held fixed-income securities are based on dealer-quoted prices or derived from valuation methods involving directly observable market data. Pooled funds are valued based on WorkSafeBC's share of the net asset value of the pooled fund. The fair values of foreign real estate, private placement, renewable resources, and infrastructure investments are based on the fair values of the net assets and supported by independent appraisals using the most appropriate valuation techniques for each investment type (see page 96 — Fair value hierarchy).

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to offset the recognized amount and an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. Currency hedging contracts are accounted for on this basis.

Investments denominated in foreign currency are translated into Canadian dollars at the exchange rate in effect at the consolidated statement of financial position date. Revenues and expenses are translated at the exchange rates in effect on the transaction date. Foreign currency exchange gains or losses for these investments are recorded in the same manner as other investment gains or losses.

Income recognition

Investment income includes interest income, income distributions from pooled funds, and income from investment entities.

For directly held fixed-income securites, WorkSafeBC applies the effective interest rate method for income recognition.

WorkSafeBC recognizes investment income from pooled funds when the income is distributed from the fund to

Note 4 — continued

unitholders. These distributions are automatically reinvested into the pool.

Income from private placement, infrastructure, renewable resources, and foreign real estate investment vehicles is recognized through consolidation (Note 2). The consolidated financial statements include the investment entities' income and expenses, with all inter-company transactions eliminated on consolidation.

Fair value adjustments at the reporting date are disclosed as unrealized gains or losses in the consolidated statement of comprehensive income. When an investment is sold, the cumulative unrealized gain or loss is reclassified as a realized gain or loss in investment income on the consolidated statement of comprehensive income in the year of disposition.

Current portion

The realization of portfolio investments is dependent upon operational needs to ensure adequate cash is available for payment of WorkSafeBC's obligations, mainly benefit liabilities and administration expenses (see Note 10 for the estimated percentage of payments expected for the next 12 months).

Portfolio investments

	December 31, 2016			
	Investments in pooled funds	Investments held directly	Investments held through investment entities	Total
Fixed-income investments				
Money market funds	168,931	—	—	168,931
Money market	—	14,177	—	14,177
Bond funds	3,073,898	—	—	3,073,898
Mortgage funds	385,030	—	1	385,031
	3,627,859	14,177	1	3,642,037
Equity investments				
Canadian equity fund	2,078,813	—	—	2,078,813
U.S. equity funds	1,563,995	—	—	1,563,995
International equity funds	1,487,292	—	—	1,487,292
Global equity funds	749,400	—	—	749,400
Emerging markets equity fund	716,013	—	—	716,013
Currency hedging contracts	—	4,477	—	4,477
Private placements	—	—	953,693	953,693
	6,595,513	4,477	953,693	7,553,683
Inflation-sensitive investments				
Infrastructure	—	—	1,314,182	1,314,182
Renewable resources	—	—	278,471	278,471
Domestic real estate fund	2,141,408	—	—	2,141,408
Foreign real estate	—	—	540,907	540,907
Currency hedging contracts	—	4,855	—	4,855
	2,141,408	4,855	2,133,560	4,279,823
Other investments				
All Weather Fund	635,488	—	—	635,488
Total	**13,000,268**	**23,509**	**3,087,254**	**16,111,031**

Note 4 — continued

Portfolio investments

	December 31, 2015			
	Investments in pooled funds	Investments held directly	Investments held through investment entities	Total
Fixed-income investments				
Money market funds	638,482	—	—	638,482
Money market	—	26,486	—	26,486
Government bond	—	5,923	—	5,923
Bond funds	2,442,101	—	—	2,442,101
Mortgage funds	377,065	—	—	377,065
	3,457,648	32,409	—	3,490,057
Equity investments				
Canadian equity funds	1,518,503	—	—	1,518,503
U.S. equity funds	1,656,720	—	—	1,656,720
International equity funds	1,972,636	—	—	1,972,636
Global equity funds	757,700	—	—	757,700
Emerging markets equity fund	709,536	—	—	709,536
Currency hedging contracts	—	(15,710)	—	(15,710)
Private placements	—	—	959,355	959,355
	6,615,095	(15,710)	959,355	7,558,740
Inflation-sensitive investments				
Infrastructure	—	—	1,008,951	1,008,951
Renewable resources	—	—	233,350	233,350
Domestic real estate fund	2,180,316	—	—	2,180,316
Foreign real estate	—	—	438,191	438,191
Currency hedging contracts	—	(44,331)	—	(44,331)
	2,180,316	(44,331)	1,680,492	3,816,477
Other investments				
All Weather Fund	597,936	—	—	597,936
Total	**12,850,995**	**(27,632)**	**2,639,847**	**15,463,210**

Note 4 — continued

Hedging contracts assets and liabilities offset

WorkSafeBC has an enforceable right of offset with counterparties for its currency hedging contract sets, and intends to settle these on a net basis. All contracts have settlement dates within one year. The gross amounts of hedging contracts offset within the preceding tables are as follows:

	Gross amount of receivable contracts	Gross amount of payable contracts	Net amount offset presented in the consolidated statement of financial position	Allocated to: Equity investments	Allocated to: Inflation-sensitive investments
December 31, 2016					
Liabilities	728,104	(741,872)	(13,768)	(86)	(13,682)
Assets	512,171	(489,071)	23,100	4,563	18,537
Net total assets presented in portfolio investment assets			**9,332**	**4,477**	**4,855**
December 31, 2015					
Liabilities	1,366,238	(1,428,799)	(62,561)	(15,710)	(46,851)
Assets	441,299	(438,779)	2,520	—	2,520
Net total liabilities presented in portfolio investment assets			**(60,041)**	**(15,710)**	**(44,331)**

Investment income

2016	Fixed-income investments	Equity investments	Inflation-sensitive investments	Other investments	Total
Interest income	226	—	—	—	226
Income distributions from pooled funds	103,037	303,875	259,773	—	666,685
Income from investment entities					
Infrastructure	—	—	39,274	—	39,274
Private placements	—	11,859	—	—	11,859
Foreign real estate	—	—	13,159	—	13,159
Renewable resources	—	—	3,991	—	3,991
	—	**11,859**	**56,424**	**—**	**68,283**
Realized gains on investments	7,248	478,483	109,941	—	595,672
Unrealized (losses) gains on investments	(44,564)	(358,569)	(138,641)	37,230	(504,543)
Total	**65,947**	**435,648**	**287,497**	**37,230**	**826,323**

Note 4 — continued

Investment income

2015	Fixed-income investments	Equity investments	Inflation-sensitive investments	Other investments	Total
Interest income	222	—	59	—	281
Income distributions from pooled funds	91,827	374,105	210,927	—	676,859
Income from investment entities					
Infrastructure	—	—	49,481	—	49,481
Private placements	—	16,028	—	—	16,028
Foreign real estate	—	—	11,224	—	11,224
Renewable resources	—	—	4,613	—	4,613
	—	16,028	65,318	—	81,346
Realized gains on investments	10,491	338,023	152,363	643	501,520
Unrealized (losses) gains on investments	(16,463)	165,495	(111,139)	8,335	46,228
Total	**86,077**	**893,651**	**317,528**	**8,978**	**1,306,234**

Investment expenses

	2016	2015
External investment management fees	44,260	41,447
Internal investment management fees	892	952
Total	**45,152**	**42,399**

Fair value hierarchy

Portfolio investments have been classified into a three-level fair value hierarchy in accordance with IFRS 7 *(Financial Instruments: Disclosures)*. Fair value hierarchy levels are defined as follows:

- Level 1 inputs are quoted prices in active markets for identical assets or liabilities. They offer the most persuasive evidence of fair value and are used whenever possible.
- Level 2 inputs are market-based inputs that are directly or indirectly observable but not considered Level 1-quoted prices. They consist of: i) quoted prices for similar assets or liabilities in active markets; ii) quoted prices for identical assets or liabilities in non-active markets (e.g., markets with few transactions and where prices are not current or price quotations vary substantially); iii) inputs other than quoted prices that are observable (e.g., interest rates, yield curves, volatilities, credit risks, and default rates); and iv) inputs derived from, or corroborated by, observable market data.
- Level 3 inputs are unobservable inputs. They reflect assumptions about market pricing using the best internal and external information available. The valuation approaches applied are the most appropriate for the type of investments.

The fair values of portfolio investments are adjusted to incorporate the counter-party risk of non-performance. In certain situations, WorkSafeBC uses inputs to measure the fair value of asset positions that fall into different levels of the fair value hierarchy. In these situations, WorkSafeBC will determine the level in which the fair value falls based on the lowest-level input that is significant to determining the fair value. Fund holding is the unit of account applied for classification within the fair value hierarchy; as a result, WorkSafeBC does not have any Level 1 holdings. The fair values of assets and liabilities measured by level of input are as follows:

Note 4 — continued

	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
December 31, 2016				
Fixed-income investments	—	3,642,037	—	3,642,037
Equity investments	—	6,599,990	953,693	7,553,683
Inflation-sensitive investments	—	4,855	4,274,968	4,279,823
Other investments	—	635,488	—	635,488
Total portfolio investments at fair value	**—**	**10,882,370**	**5,228,661**	**16,111,031**
December 31, 2015				
Fixed-income investments	—	3,490,057	—	3,490,057
Equity investments	—	6,599,385	959,355	7,558,740
Inflation-sensitive investments	—	(44,331)	3,860,808	3,816,477
Other investments	—	597,936	—	597,936
Total portfolio investments at fair value	**—**	**10,643,047**	**4,820,163**	**15,463,210**

Portfolio investments measured at fair value using significant unobservable inputs (Level 3) are as follows:

	2016	2015
Opening balance as at January 1	4,820,163	4,561,689
Net realized and unrealized gains	256,635	340,069
Purchases	1,517,151	686,150
Settlements	(1,365,288)	(767,745)
Closing balance as at December 31	**5,228,661**	**4,820,163**

There were no transfers of assets between levels in either 2016 or 2015.

Net unrealized gains of $843,866 attributable to assets held at December 31, 2016 (December 31, 2015: $1,088,179) are included within the net unrealized gains in Level 3 equity investments.

Valuation techniques

WorkSafeBC's investment portfolio is measured at fair value on a recurring basis; fair values are determined as the net asset value, as provided by the fund administrator (bcIMC) for pooled funds. bcIMC obtains the values for each holding annually, as determined by external managers and valuators using accepted industry valuation methods most suitable for the type of business or property held by the funds.

Note 4 — continued

The following table provides information regarding the valuation techniques employed for assets directly held by hierarchy level, and significant unobservable inputs for each.

Level 2 assets		Level 3 assets	
Valuation technique	**Significant unobservable inputs**	**Valuation technique**	**Significant unobservable inputs**
Market approaches:		Market approaches:	
• Derived from external quotations	N/A	• Appraisals • Third-party transactions	Adjustment to current conditions and attributes of comparables
• Net asset values provided by fund administrators	N/A		
		Income approaches:	
		• Discounted cash flows	Longer-term operating margin and discount rate for lack of liquidity
		• Earnings multiples	Variability of earnings and discount rate for lack of liquidity

Regarding changes to unobservable inputs in the table above, WorkSafeBC does not have sufficient information to provide sensitivities on the fair values of the related investments.

Investment risk management

WorkSafeBC's Board of Directors is responsible for developing policies to ensure adequate funding of the Accident Fund, and for approving investments of funds under Section 82(2)(c) of the *Workers Compensation Act*. To this end, the Board of Directors has developed an investment policy specifying the asset allocation target and limits for investing funds. To assist the Board in discharging these responsibilities, it has appointed an Investment Committee consisting of internal and independent external voting members. This committee manages WorkSafeBC's investment portfolio under the parameters set out by the Board of Directors' statement of investment policies and goals for the Accident Fund.

Under the direction of the Investment Committee, within the parameters established by the Board of Directors, management and investment of the portfolio is carried out by bcIMC.

Portfolio investment disclosures show the investments in pooled funds by type of fund (i.e., the primary investment focus), while investments held directly are shown by investment type. Many of the pooled funds hold cash, net investment receivables and payables, and/or small amounts of other investments outside their primary investment focus. For the purpose of describing WorkSafeBC's exposure to investment price and currency risks in pooled funds, the risk analysis has been prepared using the holdings of funds; thus, the risks described are indirect risks, and indivisibly linked to the exposure of the underlying fund assets.

Credit risk management

Credit risk on financial instruments arises from the possibility of a counter-party to an instrument failing to meet its obligations. WorkSafeBC does not have material direct credit risk exposure; however, WorkSafeBC has indirect credit risk exposure through its investments in pooled funds.

WorkSafeBC is exposed to direct credit risk through debt instruments held directly and through investment entities. Issuers of debt instruments — including government, non-government, and other counter-parties — must have a strong credit rating to be eligible for consideration by WorkSafeBC as a directly held investment. Debt instruments held through investment entities, totalling $262.6 million (2015: $253.2 million), are not rated and are held in conjunction with related equity investments in private companies.

For indirect investments in pooled funds, WorkSafeBC mitigates indirect credit risk exposure by ensuring the Accident Fund invests in pooled funds with investment policies that provide an adequate minimum credit rating (determined by bcIMC's internal credit-rating process) and a well-diversified portfolio with limited exposure to any one entity, industry, or country.

Note 4 — continued

Foreign exchange risk management

WorkSafeBC holds investments directly and through investment entities denominated in foreign currencies and, as such, is directly exposed to the currency risks shown in the following table.

	December 31, 2016	December 31, 2015
Currency		
U.S. dollars	2,144,069	1,750,611
Other currencies	631,777	586,342
Total	**2,775,846**	**2,336,953**

Inflation risk management

WorkSafeBC is exposed to fluctuations in the inflation rate because its compensation benefits are indexed annually to the increase in the annual Canadian consumer price index (CPI), as measured in October each year, less one percent, up to a maximum annual rate of four percent and minimum of zero. To mitigate the effect of inflation on WorkSafeBC's future liabilities, the Accident Fund holds inflation-sensitive assets including real estate, infrastructure, and renewable resources.

Liquidity risk management

The Accident Fund is exposed to liquidity risk because it must provide funding for WorkSafeBC operations such as benefit payments and administration expenses. WorkSafeBC always maintains a portion of its investments in fixed-income pooled funds, which are highly liquid. WorkSafeBC has made commitments to participate in future funding for investment purchases (Note 17). If necessary, units of pooled fund investments will be liquidated to satisfy these funding requirements.

There were no restrictions on the redemptions of WorkSafeBC's portfolio investments for the reporting period, excepting those listed in the following table. Due to the absence of active markets, the investments listed in the table that follows cannot be sold or converted easily to cash in a timely and cost-effective manner.

	December 31, 2016	December 31, 2015
Equity investments		
Private placements	953,693	959,355
Inflation-sensitive investments		
Infrastructure	1,314,182	1,008,951
Renewable resources	278,471	233,350
Domestic real estate fund	2,141,408	2,180,316
Foreign real estate	540,907	438,191
Total	**5,228,661**	**4,820,163**

Note 4 — continued

Market risk

Market risk is the risk of loss in the value of portfolio investments that may arise due to changes in market factors such as public equity prices, interest rates, foreign exchange rates, and valuations of real estate, private placements, infrastructure, and renewable resources. These changes are subject to economic factors and other movements in global capital markets. As previously disclosed, market risk is managed by the Investment Committee through establishing investment policies that bcIMC must follow, as well as through risk monitoring and portfolio diversification. WorkSafeBC is exposed to varying levels of market risk depending on the type of investment and conditions within various global markets.

The tables that follow provide estimates of the potential dollar impact on the fair value of investments when there are material changes in key risk variables such as equity market indices, interest rates, currency exchange rates, and valuations of real estate, private placements, infrastructure, and renewable resources. Each table shows the potential impact of the risk under normal market conditions within the 12-month period following the statement of financial position date. It should be noted that each table shows the impact of the specific downside risk, independent of the correlation to other market variables, and that these estimates do not address worst-case scenarios or potential losses arising from even more extreme market conditions and events.

Price risk

The following table presents the estimated effect of a material adverse change in the equity index benchmark for public equity investments through pooled funds. Standard deviations are based on historical values for the past five years of market benchmark indices ending on December 31.

	One standard deviation	
	2016	2015
Percentage decrease in Canadian equity market benchmark	8.3%	9.6%
Estimated loss in fair value — Canadian equity pooled fund	$175,000	$145,000
Percentage decrease in global equity market benchmark	16.6%	15.5%
Estimated loss in fair value — global equity pooled funds (including U.S., global, and international)	$630,000	$680,000
Percentage decrease in emerging markets equity market benchmark	21.3%	19.7%
Estimated loss in fair value — emerging markets equity pooled funds	$155,000	$140,000

The following table presents the estimated effect of a material adverse change in the valuations of WorkSafeBC's indirect investments in domestic real estate and All Weather pooled funds, as well as investments held through investment entities in foreign real estate, private placements, infrastructure, and renewable resources.

	10% decline in asset value	
	2016	2015
Estimated loss in fair value — domestic real estate fund	$215,000	$220,000
Estimated loss in fair value — foreign real estate	$55,000	$45,000
Estimated loss in fair value — private placements	$95,000	$95,000
Estimated loss in fair value — infrastructure	$130,000	$100,000
Estimated loss in fair value — renewable resources	$30,000	$25,000
Estimated loss in fair value — All Weather Fund	$65,000	$60,000

Note 4 — continued

The following table presents the estimated effect of a material adverse change in the valuations of WorkSafeBC's investments in fixed-income pooled funds and directly held fixed-income securities due to changes in the nominal and real interest rates.

	75 basis points increase in nominal interest rate	
	2016	2015
Estimated loss in fair value — money market-pooled funds	$—	$—
Estimated loss in fair value — directly held money market	$—	$—
Estimated loss in fair value — bond-pooled funds	$135,000	$120,000
Estimated loss in fair value — mortgage-pooled fund	$5,000	$5,000
Estimated loss in fair value — directly held government bond	$—	$—

Currency risk

The following table presents the estimated effect of a material adverse change in the Canadian dollar/U.S. dollar and other currency exchange rates on foreign currency-based investments held through investment entities in foreign real estate, private placements, infrastructure, and renewable resources. WorkSafeBC minimizes its currency risk through use of directly held currency hedging contracts. For this analysis, the base exchange rates are those at December 31.

	10% appreciation in the Canadian dollar	
Appreciation in Canadian dollar vs. U.S. dollar	2016	2015
Estimated loss in fair value	$120,000	$85,000
Appreciation in Canadian dollar vs. other currencies		
Estimated loss in fair value	$35,000	$20,000

Interest rate risk management

Fluctuations in interest rates can affect the fair value of the fixed-income securities and shift investor preferences among asset classes. WorkSafeBC's investments are directly exposed to interest rate risk through its fixed-income securities held directly (fixed-income portfolio) and private debt held through investment entities of $262.6 million (2015: $253.2 million). WorkSafeBC is also indirectly exposed to interest rate risk through its investments in fixed-income pooled funds. Interest rate risk on the fixed-income portfolio is minimized by managing its duration. The fixed-income portfolio consists of a directly held money market security, maturing on July 5, 2017, and investments in fixed-income pooled funds holding assets with different maturity terms. In the prior year, the fixed-income portfolio consisted of investments in a directly held government bond and directly-held money market securities, as well as fixed-income pooled funds holding assets with different maturity terms.

Interest rate risk for private debt held through investment entities is not material. These debt investments are held in conjunction with related equity investments in private companies; any change in the market value of these debt investments due to fluctuations in interest rates would result in an offsetting change in value of the related equity investments.

Real estate risk management

Risk in the real estate portfolio is managed by investing across real estate types and locations. Adverse effects in any one segment of the market or geographic location are minimized through diversification, which includes investments in domestic real estate indirectly held through a pooled fund, and foreign real estate directly held through investment entities.

Encumbrances

As at December 31, 2016, a directly held corporate money market security, valued at $14,177 (2015: $26,486) on a fair value basis, was pledged as collateral. The security was pledged for the issuance of a letter of credit to support a U.S. $8,460 commitment to Teays River Investments LLC, an integrated agriculture company operating in the United States. It is expected this pledge will be required as long as the credit facilities are required by Teays River Investments LLC.

Note 5 — Property, equipment, and intangible assets

Accounting policies

Recognition and measurement

Property, equipment, and intangible assets are reported at historical cost less accumulated depreciation/amortization and any amount for impairment.

Operating systems represent the direct costs incurred in developing new internally generated systems. Costs are deferred and amortized on a straight-line basis on the date the asset is ready to use. Project costs incurred in the definition stage for feasibility studies are recognized in administration costs in the consolidated statement of comprehensive income as incurred.

Additions and subsequent expenditures are capitalized only to the extent they enhance future economic benefits expected to be derived from the asset — either a significant extension of the asset's expected useful life or major enhancements to the asset's functions.

Expenditures incurred to replace a component of an asset are separately capitalized and the replaced component is derecognized. All other expenditures, including maintenance, costs of minor enhancements, and costs relating to the minor extension of an asset's useful life, are recognized in administration costs in the consolidated statement of comprehensive income as incurred.

Finance leases, which transfer substantially all the risks and benefits incidental to ownership of a leased item, are capitalized as assets at lease inception, at the present value of the minimum lease payments. Under the terms of the leasing agreements, WorkSafeBC has pledged the assets as collateral for the liability and cannot assign, sell, or transfer these assets.

Measurement of land

WorkSafeBC elected to use fair value at the date of transition to IFRS (January 1, 2010) as the deemed cost for land — a one-time election available under IFRS 1 (*First-time Adoption of IFRS*). The fair value of land at the transition date was $145,873, with the adjustment to the carrying amount of land at $142,113, recognized directly in the unappropriated balance. Acquisitions of land subsequent to January 1, 2010 are measured at historical cost.

Depreciation and amortization

Depreciation and amortization are charged to administration costs in the consolidated statement of comprehensive income beginning on the date the asset is ready for use, on a straight-line basis, over the asset's estimated useful life or the life of its major component. Useful lives and any residual values of assets are reviewed annually to take into account any change in circumstances, including technological obsolescence, redundancy due to change in business strategy or economic conditions, and physical deterioration or loss. Land is not depreciated as it is deemed to have an indefinite life.

The range of estimated useful lives of assets is captured in the following table.

Property and equipment:	
Buildings	10–40 years
Equipment	2–7 years
Furniture	10 years
Vehicles	7 years
Intangible assets:	
Operating systems	5–10 years
Computer software	3 years

Impairment

Property, equipment, and intangible assets are assessed at each statement of financial position date to determine whether there is any indication of impairment. If any such indication exists, the assets are subject to an impairment review. If an asset is impaired, an impairment loss is recognized in administration costs in the consolidated statement of comprehensive income.

When indicators of impairment exist, IAS 36 (*Impairment of Assets*) requires an entity to test assets for impairment. The impairment review must be conducted for an individual asset, an asset group, or the cash-generating unit level — the smallest identifiable group of assets generating cash inflows (independent of cash inflows from other assets or groups of assets).

Based on an analysis of cash flows, WorkSafeBC has established that the appropriate cash-generating unit for impairment review is the entity. As WorkSafeBC has statutory power to increase premiums and/or impose levies to ensure full funding into the foreseeable future under the *Workers Compensation Act*, impairment at the entity level is remote. On an annual basis, WorkSafeBC conducts a review to ensure no events or changes in circumstance have occurred that would provide evidence of impairment.

As at December 31, 2016 and December 31, 2015, management conducted impairment indicator reviews at the entity level; these reviews confirmed no significant impairment indicators — changes in the legislative, economic, or business environments — that would have a material impact on WorkSafeBC's ability to generate future economic benefits from its operating (non-financial) assets.

Note 5 — continued

Property and equipment

	Land	Buildings	Furniture and equipment	Vehicles	Total
Cost	145,873	99,163	30,005	11,946	286,987
Less: Accumulated depreciation	—	62,348	18,501	6,968	87,817
Balance at January 1, 2015	**145,873**	**36,815**	**11,504**	**4,978**	**199,170**
Changes during the year:					
Cost					
Additions	—	2,174	2,975	1,839	6,988
Disposals	—	(1,223)	(3,563)	(236)	(5,022)
Less: Accumulated depreciation					
Depreciation	—	3,788	5,341	1,310	10,439
Disposals	—	(1,029)	(3,393)	(226)	(4,648)
Balance at December 31, 2015	**145,873**	**35,007**	**8,968**	**5,497**	**195,345**
Representing:					
Cost	145,873	100,114	29,417	13,549	288,953
Less: Accumulated depreciation	—	65,107	20,449	8,052	93,608
Balance at December 31, 2015	**145,873**	**35,007**	**8,968**	**5,497**	**195,345**
Changes during the year:					
Cost					
Additions	—	4,912	2,633	1,997	9,542
Disposals	—	(350)	(5,117)	(2,019)	(7,486)
Less: Accumulated depreciation					
Depreciation	—	3,747	4,653	1,365	9,765
Disposals	—	(295)	(5,115)	(2,014)	(7,424)
Balance at December 31, 2016	**145,873**	**36,117**	**6,946**	**6,124**	**195,060**
Representing:					
Cost	145,873	104,676	26,933	13,527	291,009
Less: Accumulated depreciation	—	68,559	19,987	7,403	95,949
Balance at December 31, 2016	**145,873**	**36,117**	**6,946**	**6,124**	**195,060**

Note 5 — continued

Intangible assets

	Operating systems	Computer software	Total
Cost	219,804	21,158	240,962
Less: Accumulated amortization	149,814	14,470	164,284
Balance at January 1, 2015	**69,990**	**6,688**	**76,678**
Changes during the year:			
Cost			
Additions	3,813	597	4,410
Disposals	(1,081)	(91)	(1,172)
Less: Accumulated amortization			
Amortization	13,935	2,020	15,955
Disposals	(1,081)	(91)	(1,172)
Balance at December 31, 2015	**59,868**	**5,265**	**65,133**
Representing:			
Cost	222,536	21,664	244,200
Less: Accumulated amortization	162,668	16,399	179,067
Balance at December 31, 2015	**59,868**	**5,265**	**65,133**
Changes during the year:			
Cost			
Additions	2,759	2,427	5,186
Disposals	(529)	(224)	(753)
Less: Accumulated amortization			
Amortization	13,453	2,060	15,513
Disposals	(529)	(224)	(753)
Balance at December 31, 2016	**49,174**	**5,632**	**54,806**
Representing:			
Cost	224,766	23,867	248,633
Less: Accumulated amortization	175,592	18,235	193,827
Balance at December 31, 2016	**49,174**	**5,632**	**54,806**

Note 6 — Cash and outstanding payments

Cash and outstanding payments represent the net balance of cash on hand and items in transit, including cheques written but not cashed. In the event these cheques are cashed and there are insufficient funds held at that time in its bank accounts, WorkSafeBC can use available credit facilities.

As at December 31, 2016, the unused credit facility was $1,846 (2015: $1,537). WorkSafeBC is also a partner in an offset program with the Government of British Columbia; this program provides WorkSafeBC access to additional credit facilities for varying amounts in connection with the daily cash balance of the partners.

Cash and outstanding payments

	December 31, 2016	December 31, 2015
Cash	39,576	122,959
Less: Outstanding payments	8,084	26,078
Net cash	**31,492**	**96,881**

All outstanding payments are expected to be settled within 12 months.

Note 7 — Payables and accruals

Accounting policy

Payables and accruals are financial liabilities representing obligations to pay for goods or services received by WorkSafeBC in the ordinary course of operations. WorkSafeBC recognizes a liability and an expense for goods upon receipt or transfer of control, and for services when they have been performed. Other payables include credit balances on employer accounts. The timing and amount of payables and accruals are readily determinable. These amounts are normally settled before the end of the next reporting period, except for the two- to three-year finance lease obligations shown in the table that follows.

Finance lease obligations within the scope of IAS 17 (*Leases*) are not subject to measurement and disclosure requirements under IFRS 13 (*Fair Value Measurement*). All other payables and accruals in the table are classified as amortized cost under IFRS 9 (*Financial Instruments*), recorded at fair value on initial recognition, and subsequently measured at amortized cost. The carrying value of these items approximates fair value.

Payables and accruals

	December 31, 2016	December 31, 2015
Accrued staff salaries	27,268	26,720
Vendor payables	27,557	18,741
Finance lease obligations	1,747	2,119
Other payables and accruals	18,195	13,302
Total	**74,767**	**60,882**

Payables and accruals expected to be settled within 12 months total $73,017 (2015: $59,427).

Note 8 — Injured workers' retirement benefit liability

Accounting policy

The injured workers' retirement benefit obligation is a financial liability which represents obligations under Section 23.2 of the *Workers Compensation Act*, effective for all injuries occurring on or after June 30, 2002. This section requires that WorkSafeBC contribute a monthly amount for permanently disabled workers equal to 5 percent of a worker's permanent disability monthly benefit payment. This amount is over and above the benefit payment issued monthly and separate from the long-term disability benefit liability (Note 10). In addition, a worker may voluntarily choose to contribute between 1 and 5 percent of his or her monthly benefit.

WorkSafeBC recognizes a liability for these amounts when the worker's permanent disability monthly benefit is paid.

The injured workers' retirement benefit liability provides for interest at the greater of WorkSafeBC's annual smoothed accounting rate of return or the Government of Canada 90-day treasury bill rate. Future cash flows to be paid to a worker are discounted at a rate equal to the rate of interest. Upon the earlier of death or reaching age 65, workers (or the beneficiary in the case of death) receive a lump-sum payout of these amounts and the liability is derecognized.

The injured workers' retirement benefit liability is classified as amortized cost under IFRS 9 (*Financial Instruments*), recorded at fair value on initial recognition and subsequently measured at amortized cost. The carrying value of this item approximates fair value.

Injured workers' retirement benefit liability

Changes in the injured workers' retirement benefit liability are as follows:

	2016	2015
Balance at January 1	54,522	42,985
Interest income	4,769	3,540
Contributions by WorkSafeBC	10,248	9,126
Contributions by injured workers	1,735	1,533
Benefits paid	(3,144)	(2,662)
Balance at December 31	**68,130**	**54,522**

The duration of the liability is estimated based on injured workers reaching age 65, as follows:

	December 31, 2016	December 31, 2015
Under 1 year	3,821	2,524
1-5 years	18,282	14,070
5-10 years	16,374	13,093
Over 10 years	29,653	24,835
Total	**68,130**	**54,522**

Note 9 — Employee benefit assets, liabilities, and costs

Accounting policy

Post-employment benefits

WorkSafeBC has employee benefit plans that provide pension benefits and post-employment health care benefits for its employees. The cost of the plans and present value of obligations are determined using actuarial valuations; these valuations involve making assumptions about discount rates, rates of returns on net assets, future salary increases, mortality rates, and future pension changes. Due to the complexity of the valuations, underlying assumptions, and long-term nature, obligations are sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. Details of key assumptions used in the estimates are disclosed below.

Employee pension plans

WorkSafeBC and its employees contribute to the WorkSafeBC Pension Plan, a defined benefit plan. Appointed by WorkSafeBC's Board of Directors, the Pension Committee is responsible for overseeing prudent investment of plan assets and ensuring administration services are provided to plan members. The Pension Committee is comprised of three appointed members: one represents WorkSafeBC, another represents WorkSafeBC employees, while the third is an independent member nominated jointly by the other pension committee members.

The plan provides pensions based on length of service and an employee's best five-year average earnings. Effective September 30, 2015, immediate vesting came into effect for all active plan members (permanent employees and eligible temporary employees). In accordance with WorkSafeBC Pension Plan rules, WorkSafeBC may apply surplus funds to reduce or eliminate contributions that might otherwise be required.

For funding purposes, and to determine employee/employer contribution rates, the plan requires an actuarial valuation of plan liabilities at intervals of not more than three years. The last valuation was carried out as at March 31, 2014 (report issued December 19, 2014); its results were used to derive projected liabilities at year-end.

The WorkSafeBC Pension Plan is subject to the *Pension Benefits Standards Act* of British Columbia and, as such, requires certain certifications relating to the plan's solvency. In accordance with the legislation, WorkSafeBC must adequately fund all benefits earned by plan members and is required to make scheduled special payments to make up any funding or solvency deficit.

The most recent actuarial valuation, as at March 31, 2014, reported a solvency ratio greater than 100 percent.

WorkSafeBC also has a supplementary executive retirement plan (SERP). Established effective January 1, 2009, it provides additional pension benefits to designated executives. Pension benefits in this plan, which is not funded, are based on the same earnings as the WorkSafeBC Pension Plan. For financial reporting purposes, an actuarial valuation for the SERP was carried out as of December 31, 2016. The SERP amounts are included in the detailed disclosures for the employee pension plan in tables within this note. The present value of the defined benefit obligation for the SERP at December 31, 2016 was $3,485 (December 31, 2015: $2,899).

Post-employment health care plan

WorkSafeBC also has a financial obligation relating to the basic medical and extended health care benefits it provides eligible WorkSafeBC retirees. WorkSafeBC employees are not required to contribute toward these health care benefits.

Actuarial assumptions and method

The cost of the pension and post-employment health care benefits earned by employees is actuarially determined using the projected benefit method, which is prorated on service and actuarial assumptions about discount rates, returns on net assets, future salary increases, employee retirement ages, mortality rates, and expected health care costs. Due to the long-term nature of the plans, such estimates are subject to significant uncertainty. All actuarial gains and losses are recognized as they occur through other comprehensive income in the statement of comprehensive income.

Note 9 — continued

The significant actuarial assumptions adopted in valuing WorkSafeBC's benefit plan expenses are shown in the table that follows.

	Employee pension plans		Post-employment health care plan	
	2016	2015	2016	2015
Discount rate	3.95%	3.95%	3.95%	3.95%
Future salary increases/health care cost increases	2.50%	2.50%	4.50%	4.50%

The rates shown in the 2016 column were effective as of December 31, 2016 and applied in determining benefit plan balances at December 31, 2016. Rates shown in the 2015 column were effective from December 31, 2015 to December 30, 2016. The 2015 rates were applied in determining 2016 benefit plans expenses.

Long-term disability benefits

Long-term disability benefits are provisions representing the present obligation for the amount of income to be provided to employees unable to work for extended periods due to non-work-related illness or injury. WorkSafeBC recognizes this provision when the disability occurs. The present value of the obligation is calculated using a 2.9 percent discount rate as at December 31, 2016 (December 31, 2015: 5.50 percent). As at December 31, 2016, the discount rate was based on high-quality corporate bonds with the same estimated term as the liability. The discount rate as at December 31, 2015 was based on the long-term investment return expected to be earned on the WorkSafeBC investment portfolio.

Long-service benefits

Long-service benefits are liabilities representing the amount payable to employees who have completed at least 10 years of service with WorkSafeBC. WorkSafeBC recognizes the liability as these employees render their service, which accumulates toward entitlement of the long-service benefit. The benefit vests after 10 years of service, with payment made upon termination, death, or retirement. WorkSafeBC has recognized the expected benefit liability by applying a 3.45 percent discount rate as at December 31, 2016 (December 31, 2015: 3.45 percent), equal to the yield on high-quality corporate bonds with the same estimated term as the liability.

Other benefits

Other benefits include liabilities for WorkSafeBC claims from WorkSafeBC employees and accumulated sick leave.

Workers' compensation claims are liabilities representing the present obligation for expected employee claim costs. WorkSafeBC recognizes the provision when the claim is accepted. The present value of the obligation was calculated using a 3.90 percent discount rate as at December 31, 2016 (December 31, 2015: 5.50 percent). As at December 31, 2016, the discount rate was based on high-quality corporate bonds with the same estimated term as the liability. The discount rate as at December 31, 2015 was based on the long-term investment return expected to be earned on the WorkSafeBC investment portfolio.

Accumulated sick leave entitlements are recognized as employees render their service, to the extent of expected future use. Accumulated sick leave does not vest.

Employee benefit liabilities

WorkSafeBC has several employee benefit plans, including pension benefits, post-employment health care benefits, long-term disability benefits, long-service benefits, and other benefits. Liabilities for these benefit plans consisted of the following:

	December 31, 2016	December 31, 2015
Post-employment health care benefit plan	245,463	236,152
Accrued long-term disability	97,000	84,200
Accrued long-service benefits	39,876	38,763
Accrued other benefits	8,067	7,673
Total	**390,406**	**366,788**

The current portion of the employee benefit liabilities is estimated to be $21,574 (2015: $21,230).

The benefit asset of the employee pension plan is shown in the table that follows.

Note 9 — continued

Employee pension and post-employment health plans

The amounts recognized in the consolidated statement of financial position are determined as follows:

	Employee pension plans		Post-employment health care plan	
	2016	2015	2016	2015
Present value of defined benefit obligations	(1,828,148)	(1,734,597)	(245,463)	(236,152)
Fair value of plan assets	1,925,400	1,841,615	—	—
Funded status — plan surplus (deficit)	**97,252**	**107,018**	**(245,463)**	**(236,152)**
Benefit asset (liability)	**97,252**	**107,018**	**(245,463)**	**(236,152)**

Changes in the defined benefit obligation are as follows:

	Employee pension plans		Post-employment health care plan	
	2016	2015	2016	2015
Balance January 1	1,734,597	1,630,110	236,152	228,916
Current service cost	42,008	42,043	8,911	9,134
Employer contribution receivable	(2)	(5)	—	—
Interest cost	67,891	63,871	9,254	8,973
Contributions by plan participants	16,039	16,256	—	—
Net transfers from other plans	368	2,265	—	—
Actuarial losses (gains) arising from:				
Changes in demographic assumptions	—	—	—	—
Changes in financial assumptions	—	—	—	—
Experience adjustments	17,673	27,132	(5,080)	(7,402)
Benefits paid	(50,426)	(47,075)	(3,774)	(3,469)
Balance December 31	**1,828,148**	**1,734,597**	**245,463**	**236,152**

The current portion of the employee pension plan liability is estimated to be $46,237 (2015: $43,669).

Changes in the fair value of plan assets are as follows:

	Employee pension plans		Post-employment health care plan	
	2016	2015	2016	2015
Balance January 1	1,841,615	1,693,370	—	—
Return on plan assets (excluding amounts included in net interest expense)	29,108	86,566	—	—
Interest income	72,394	66,788	—	—
Employer contributions	16,312	23,520	3,774	3,469
Employer contribution receivable	(10)	(75)	—	—
Employee contributions	16,039	16,256	—	—
Benefits paid	(50,426)	(47,075)	(3,774)	(3,469)
Net transfers from other plans	368	2,265	—	—
Balance December 31	**1,925,400**	**1,841,615**	**—**	**—**

Note 9 — continued

The amounts recognized in the consolidated statement of comprehensive income are as follows:

	Employee pension plans		Post-employment health care plan		Total	
	2016	2015	2016	2015	2016	2015
Recognized in administration expenses:						
Employer current service cost	42,008	42,043	8,911	9,134	50,919	51,177
Net interest (income) cost	(4,503)	(2,917)	9,254	8,973	4,751	6,056
	37,505	**39,126**	**18,165**	**18,107**	**55,670**	**57,233**
Recognized in other comprehensive income:						
Actuarial losses (gains) on plan liabilities arising from:						
Changes in demographic assumptions	—	—	—	—	—	—
Changes in financial assumptions	—	—	—	—	—	—
Experience adjustments	17,673	27,132	(5,080)	(7,402)	12,593	19,730
Return on plan assets (excluding amounts included in net interest expense)	(29,108)	(86,566)	—	—	(29,108)	(86,566)
	(11,435)	**(59,434)**	**(5,080)**	**(7,402)**	**(16,515)**	**(66,836)**
Total benefit plan expenses	**26,070**	**(20,308)**	**13,085**	**10,705**	**39,155**	**(9,603)**

Cumulative actuarial (losses) gains recognized in other comprehensive income:

	Employee pension plans		Post-employment health care plan		Total	
	2016	2015	2016	2015	2016	2015
As at January 1	(101,096)	(160,530)	(58,664)	(66,066)	(159,760)	(226,596)
Actuarial (losses) gains on plan liabilities for the year	(17,673)	(27,132)	5,080	7,402	(12,593)	(19,730)
Actuarial gains on plan assets for the year	29,108	86,566	—	—	29,108	86,566
As at December 31	**(89,661)**	**(101,096)**	**(53,584)**	**(58,664)**	**(143,245)**	**(159,760)**

Note 9 — continued

Employee pension plans and post-employment health care benefit plan risks

WorkSafeBC is subject to the risks attached to assumptions employed in determining net plan obligations. Changes in assumptions may negatively impact the net funded position of the plans. The most significant assumption risks are discussed below.

Investment risk

The present value of the defined benefit plans' liabilities is calculated using a discount rate determined by reference to high-quality corporate bond yields. If actual returns on pension plan assets are below this rate, the plan's funded status will decrease. See below for WorkSafeBC's asset-liability matching strategy.

Interest risk

A decrease in the bond interest rate will increase the plans' liabilities, however any related effect may be partially offset by an increase in the return on the pension plan's debt investments.

Mortality risk

The present value of the defined benefit plans' liabilities is calculated by referencing the best estimate of the mortality of plan members. An increase in their life expectancy will subsequently increase the plans' liabilities.

Salary risk

The present value of the defined benefit pension plan liability is calculated by referencing the estimated increase in future salaries of plan members. As such, an increase in their salaries in excess of the estimate will subsequently raise the pension plans' liability.

Health care cost risk

The present value of the post-employment health care benefit plan liability is calculated by referencing estimated future health care costs. As such, an increase in health care costs in excess of the estimate of plan members will increase the post-employment health care benefit plan's liability.

Asset-liability matching strategy

Periodic asset/liability studies are conducted to review the WorkSafeBC Pension Plan investment policy. The policy's primary objective is to manage risks related to the asset mix, considering both returns and risks of investment classes, in conjunction with the anticipated amounts and timing of liability payments. The policy identifies a targeted asset mix and range of acceptable level of investments for each investment type and sub-class. Pension plan assets are managed by bcIMC, investing in fixed-income, equity, inflation-sensitive, and other investments, directly held or through pooled funds. The assets and related performance of plan assets are monitored on a quarterly basis by pension committee members.

Note 9 — continued

Sensitivity of employee pension plan and post-employment health care benefit plan liability

Significant actuarial assumptions for determining the employee defined benefit plan liabilties are discount rate, life expectancy, expected salary increases, and health care costs. The effect on the employee defined benefit obligations of a change in assumptions applied is as follows:

2016

Effect on defined benefit obligations of an increase/decrease in the following assumptions:	Change in assumption	Pension plans		Post-employment health care plan	
		Increase	Decrease	Increase	Decrease
Discount rate	0.5%	(5.5)%	6.2%	(8.8)%	10.2%
Mortality rate	10%	(1.2)%	1.3%	(3.0)%	3.4%
Salary rate	0.5%	1.2%	(1.4)%	N/A	N/A
Health care costs	0.5%	N/A	N/A	10.1%	(8.8)%

2015

Effect on defined benefit obligations of an increase/decrease in the following assumptions:	Change in assumption	Pension plans		Post-employment health care plan	
		Increase	Decrease	Increase	Decrease
Discount rate	0.5%	(5.7)%	6.4%	(9.0)%	10.3%
Mortality rate	10%	(1.2)%	1.3%	(3.0)%	3.4%
Salary rate	0.5%	1.1%	(1.3)%	N/A	N/A
Health care costs	0.5%	N/A	N/A	10.3%	(9.0)%

Based on actuarial advice, assumptions regarding the life expectancy of plan members are set using the best estimate of their mortality. These assumptions translate into an average life expectancy (in years) for a pensioner retiring at age 65.

The sensitivity analysis presented in the table above may not be representative of the actual change in the defined benefit obligation; it is unlikely a change in assumptions would occur in isolation as some assumptions may correlate.

Note 9 — continued

Employee pension plan assets

The WorkSafeBC Pension Plan assets, at fair value, are listed in the table that follows. Pooled funds are valued based on WorkSafeBC's share of the net asset value of the pooled fund. The fair values of foreign real estate, private placement, renewable resources, and infrastructure investments are based on the fair values of the net assets and supported by independent appraisals using the most appropriate valuation techniques for each investment type. The fair value of foreign currency exchange contracts is based on quoted prices.

	December 31, 2016	December 31, 2015
Fixed-income investments		
Money market funds	23,534	123,164
Bonds	1,961	3,663
Bond funds	350,157	307,235
Mortgage funds	37,697	36,994
	413,349	471,056
Equity investments		
Canadian equity funds	230,170	172,888
U.S. equity funds	218,008	225,016
International equity funds	182,119	212,807
Global equity funds	169,951	141,945
Emerging markets equity funds	99,880	94,154
Currency hedging contracts	518	(1,678)
Private placements funds	112,553	106,503
	1,013,199	951,635
Inflation-sensitive investments		
Real-return bond	—	429
Real-return bond fund	53,988	59,273
Infrastructure funds	153,669	82,948
Domestic real estate fund	209,277	202,333
Foreign real estate funds	32,095	24,947
Renewable resources funds	24,157	18,667
Currency hedging contracts	485	(3,281)
	473,671	385,316
Other investments		
All Weather Fund	25,012	23,534
Other assets/liabilities		
Cash/receivables and payables	169	10,074
Total	**1,925,400**	**1,841,615**

Note 9 — continued

Future cash flows

Employer contributions to the pension plans were reduced to 6.5 percent of salaries (from 9.63 percent) up to the year's maximum pensionable earnings (YMPE) and 8.0 percent of salaries (from 11.13 percent) in excess of the YMPE effective January 1, 2016. Employer contributions will be made at these rates until completion of the next actuarial valuation, as at March 31, 2017.

Based on the actuarial valuation performed as at March 31, 2014, the average duration of the benefit obligation at December 31, 2016 and December 31, 2015 was 15 years. The estimated maturity of the obligation, also based on the latest actuarial valuation, is as follows:

	December 31, 2016	December 31, 2015
Active members	18 years	18 years
Terminated members	16 years	16 years
Retired members	10 years	10 years

WorkSafeBC anticipates $33,277 will be contributed to the employee defined benefit pension plan in 2017, consisting of $16,535 from employee contributions and $16,742 from employer contributions, prior to consideration of any changes resulting from the March 31, 2017 valuation.

Risk management

The pension plan investments' disclosure shows investments in pooled funds by type of fund (i.e., the primary investment focus) while investments held directly are shown by investment type. Many of the pooled funds hold cash, net investment receivables and payables, and/or small amounts of other investments outside their primary investment focus.

Market risk

Plan assets are invested in fixed-income, equity, inflation-sensitive, and other assets; they are subject to market risk. Market risk is the risk of loss in the value of pension plan investments that may arise due to changes in market factors such as public equity prices; interest rates; foreign exchange rates; and valuations of real estate, private placements, infrastructure, and renewable resources. These changes are subject to economic factors and other movements in global capital markets.

Credit risk management

Credit risk on financial instruments arises from the possibility of a counter-party to an instrument failing to meet its obligations. Thus, all issuers of debt instruments — government and non-government — must have a minimum credit rating of BBB+ to be eligible for consideration as an investment by the WorkSafeBC Pension Plan. WorkSafeBC does not have material direct credit risk exposure.

Foreign exchange risk management

The WorkSafeBC Pension Plan holds investments denominated in foreign currencies, indirectly through the investments in pooled funds, which are exposed to currency risk.

Real estate risk management

Indirect risk in the real estate portfolio of WorkSafeBC Pension Plan assets is managed by investing across real estate types and locations. Adverse effects in any one segment of the market or geographic location are minimized through diversification, including investments in domestic and foreign real estate.

Industry and geographic risk management

Global public equity investments in pooled funds are monitored and reviewed on a quarterly basis to help ensure appropriate diversification is achieved.

Related party transactions — employee pension plan

WorkSafeBC provides pension plan benefits for its employees. Transactions with the WorkSafeBC Pension Plan are between related parties as detailed in the table that follows:

	2016	2015
Transactions:		
Contributions from employees	16,039	16,266
Contributions from employer	16,312	23,520

All terms and conditions of the post-employment benefit plans remained unchanged throughout 2015 and 2016. The plans do not provide guarantees to any parties.

Note 10 — Claim benefit liabilities and costs

Accounting policy

Benefit liabilities fall into three categories:

- Unfinalled claim liabilities consisting of:
  - A provision for future payments on claims not finalized to date
  - The capitalized value of the estimated future cost of administering existing claims
- Capitalized value of future monthly payments for pension awards already made (pension fund liabilities) under the long-term disability and survivor benefits
- Long-latency occupational disease liability (LODL) for claims to be diagnosed in the future but for which some exposure to disease-causing agents has already occurred

For the first two categories, at year-end WorkSafeBC determines its claim benefit liabilities for all injuries that have occurred to that time. WorkSafeBC recognizes these claim benefit liabilities in the year a reported compensable workplace injury occurs or disease is diagnosed, as defined by the *Workers Compensation Act* of British Columbia and/or by WorkSafeBC policy. For the third category, long-latency occupational disease claims, the liability is determined as the estimated future benefit payments anticipated on disease claims expected to be diagnosed in the future — for which some exposure to a disease-causing agent has already occurred. These estimated future benefit payments are discounted and adjusted to reflect the estimated portion for the total latency period exposure which has transpired to the valuation date.

Applying actuarial methods, benefit liabilities are measured as the present value of all future benefit payments expected to be made for claims occurring in the current fiscal year or in any prior year. Benefit liabilities include provision for all benefits covered by applicable legislation, policies, and/or administrative practices in respect of existing claims.

WorkSafeBC's internal actuary sets the actuarial assumptions and methods and computes the benefit liabilities. An independent actuary is appointed to validate and express an opinion on these elements; the opinion is appended to these consolidated financial statements.

Liability for long-latency occupational disease claims

The Canadian Actuarial Standards Board's actuarial standards of practice for workers' compensation organizations requires the recognition of a liability for long-latency occupational diseases. These are occupationally-caused diseases, currently recognized as compensable, that will manifest as claims in future years for which there has already been partial exposure to the disease-causing agent but no current disease diagnosis.

Note 10 — continued

Actuarial assumptions and methods

The table that follows summarizes the main underlying actuarial assumptions used to estimate the three categories of benefit liabilities noted on page 115.

	Actuarial assumptions underlying benefit liability calcuation								
					Economic assumptions				
	Runoff pattern	Future mortality	Expense rate	Disease latency period	Invest-ment return	CPI increase	Wage growth	Health care inflation	Claim adminis-tration inflation
Unfinalled claim liabilities									
Short-term disability	✓				✓	✓	✓		
Long-term disability	✓	✓			✓	✓	✓		
Survivor benefits	✓	✓			✓	✓	✓		
Health care	✓				✓			✓	
Vocational rehabilitation	✓				✓	✓	✓		
Claim administration			✓		✓	✓	✓		✓
Pension fund liabilities									
Long-term disability		✓			✓	✓			
Survivor benefits		✓			✓	✓			
Long-latency occupational disease liability		✓		✓	✓	✓	✓	✓	✓

Runoff pattern

The runoff pattern for unfinalled claims is intended to be an unbiased estimate of the future cost runoff on existing claims. It is normally calculated using the average runoff pattern of the five most recent calendar years. This averaging period may be modified where there is reason to believe the observed experience in the most recent five years is not representative of future expected payments.

Future mortality

Future mortality rates must be estimated to determine the liability for monthly pensions established for long-term disability claimants and dependants receiving survivor benefits. This mortality basis is reviewed and revised, if necessary, every five years, with the last review conducted in 2012. This mortality basis is used for both the unfinalled claims liability and pension fund liability. The liabilty is calculated recognizing that mortality improvement is expected to occur each year.

Mortality assumptions are intended to be unbiased estimates of future mortality experiences among WorkSafeBC pension recipients (claimants and survivors).

Mortality assumptions are determined through a two-stage process:

- First, the mortality levels currently experienced by pensioners (long-term disability and survivor benefits) are measured via a study of recent actual experience of these claimants and survivors. The *Canada Life Tables*, published by Statistics Canada, are also used in assessing current mortality levels.
- The mortality rates are then projected forward. This involves reducing them to allow for anticipated greater longevity in the future. The improvement rates used are based on studies and projections by the Social Security Administration agency in the United States. These improvement rates have historically paralleled the improvements observed for WorkSafeBC claimants.

Expense rate

The expense rate is the ratio of claim administration costs divided by benefit dollars paid (or capitalized, in the case of pension awards), or how much it costs to pay one dollar of claim benefits.

Note 10 — continued

Expense rates are determined by periodically examining actual claim administration expenses incurred in a given year (across all cost centres in WorkSafeBC) as a proportion of the claim payments/awards in that year. These expense rates vary by benefit type and are intended to represent the ongoing cost of administering existing claims. These expense rates are the prime drivers for calculating the claim administration liability.

Latency period

Latency period represents the number of years between initial exposure to the disease-causing agent and the time of diagnosis for each disease type. The latency period is estimated based on available information from medical literature.

Economic assumptions

These benefits are calculated using a discount rate of 3.0 percent; the assumption is that investment income will be earned at an annual rate that is 3.0 percent higher than the annual rate of general inflation in the long term. This real discount rate gives rise to the net discount rates used to calculate various components of the benefit liabilities. These net discount rates are the differences between the assumed investment rate (long-term assumption of 5.5 percent return) and the assumed growth rates of the specific factors driving benefit increases. These net discount rates are as follows:

Factor	Net discount rate	
	2016	2015
Health care inflation	0.0%	0.0%
Wage growth	2.0%	2.0%
Claim administration inflation	2.5%	2.5%
Benefits indexed to inflation minus 1%	4.0%	4.0%

Note 10 — continued

Benefit liabilities

2016

	Short-term disability	Long-term disability	Survivor benefits	Health care	Vocational rehabilitation	Claim administration	Latent occupational diseases	Total
Balance — January 1	309,241	6,257,156	948,202	2,540,713	308,577	687,518	350,330	11,401,737
Add: Claim costs:								
Current-year's injuries	281,787	334,215	23,432	345,327	103,982	250,504	—	1,339,247
Prior-years' injuries	(15,222)	228,686	47,012	(29,598)	(12,058)	31,553	—	250,373
	266,565	562,901	70,444	315,729	91,924	282,057	—	1,589,620
Less: Claim payments made:								
Current-year's injuries	152,939	2,797	641	112,191	2,458	120,373	—	391,399
Prior-years' injuries	126,078	511,438	66,364	217,523	96,409	139,688	—	1,157,500
	279,017	514,235	67,005	329,714	98,867	260,061	—	1,548,899
Add:								
Latent occupational diseases	—	—	—	—	—	—	1,291	1,291
Balance — December 31	**296,789**	**6,305,822**	**951,641**	**2,526,728**	**301,634**	**709,514**	**351,621**	**11,443,749**
Represented by:								
Provision for unfinalled claims	296,789	1,794,877	107,693	2,526,728	301,634	709,514	—	5,737,235
Pension awards, capitalized values	—	4,510,945	843,948	—	—	—	—	5,354,893
Latent occupational diseases	—	—	—	—	—	—	351,621	351,621
Total	**296,789**	**6,305,822**	**951,641**	**2,526,728**	**301,634**	**709,514**	**351,621**	**11,443,749**

Note 10 — continued

Benefit liabilities

2015

	Short-term disability	Long-term disability	Survivor benefits	Health care	Vocational rehabilitation	Claim administration	Latent occupational diseases	Total
Balance — January 1	321,432	6,214,581	944,796	2,537,212	305,596	712,462	349,842	11,385,921
Add: Claim costs:								
Current-year's injuries	281,147	319,947	31,927	343,064	101,726	239,932	—	1,317,743
Prior-years' injuries	(14,493)	220,112	38,192	(8,330)	8,762	(13,031)	—	231,212
	266,654	540,059	70,119	334,734	110,488	226,901	—	1,548,955
Less: Claim payments made:								
Current-year's injuries	150,054	3,120	793	110,067	2,257	113,818	—	380,109
Prior-years' injuries	128,791	494,364	65,920	221,166	105,250	138,027	—	1,153,518
	278,845	497,484	66,713	331,233	107,507	251,845	—	1,533,627
Add:								
Latent occupational diseases	—	—	—	—	—	—	488	488
Balance — December 31	**309,241**	**6,257,156**	**948,202**	**2,540,713**	**308,577**	**687,518**	**350,330**	**11,401,737**
Represented by:								
Provision for unfinalled claims	309,241	1,809,342	106,887	2,540,713	308,577	687,518	—	5,762,278
Pension awards, capitalized values	—	4,447,814	841,315	—	—	—	—	5,289,129
Latent occupational diseases	—	—	—	—	—	—	350,330	350,330
Total	**309,241**	**6,257,156**	**948,202**	**2,540,713**	**308,577**	**687,518**	**350,330**	**11,401,737**

WorkSafeBC anticipates that $1,189,964 (2015: $1,168,608) of the claim liability will be settled within 12 months, and is therefore considered the current portion.

Note 10 — continued

The following is a reconciliation of claim benefit liabilities:

2016	Short-term disability	Long-term disability	Survivor benefits	Health care	Vocational rehabilitation	Claim administration	Latent occupational diseases	Total
Balance — January 1	309,241	6,257,156	948,202	2,540,713	308,577	687,518	350,330	11,401,737
Add:								
Provision for current-year's injuries	128,848	331,418	22,791	233,136	101,524	130,131	—	947,848
Accretion expense for prior-years' liabilities	10,908	272,900	41,445	109,994	11,558	27,952	15,900	490,657
Prior-years' claim costs experience (lower) higher than expected	(26,130)	(44,214)	5,567	(139,592)	(23,616)	3,601	—	(224,384)
Latent occupational diseases	—	—	—	—	—	—	(14,609)	(14,609)
	113,626	560,104	69,803	203,538	89,466	161,684	1,291	1,199,512
Less:								
Payments for prior-years' injuries	126,078	511,438	66,364	217,523	96,409	139,688	—	1,157,500
Balance — December 31	**296,789**	**6,305,822**	**951,641**	**2,526,728**	**301,634**	**709,514**	**351,621**	**11,443,749**

2015	Short-term disability	Long-term disability	Survivor benefits	Health care	Vocationa rehabilitation	Claim administration	Latent occupational diseases	Total
Balance — January 1	321,432	6,214,581	944,796	2,537,212	305,596	712,462	349,842	11,385,921
Add:								
Provision for current-year's injuries	131,093	316,827	31,134	232,997	99,469	126,114	—	937,634
Accretion expense for prior-years' liabilities	10,215	243,001	36,980	98,285	10,299	25,966	14,216	438,962
Prior-years' claim costs experience (lower) higher than expected	(24,708)	(22,889)	1,212	(106,615)	(1,537)	(38,997)	—	(193,534)
Latent occupational diseases	—	—	—	—	—	—	(13,728)	(13,728)
	116,600	536,939	69,326	224,667	108,231	113,083	488	1,169,334
Less:								
Payments for prior-years' injuries	128,791	494,364	65,920	221,166	105,250	138,027	—	1,153,518
Balance — December 31	**309,241**	**6,257,156**	**948,202**	**2,540,713**	**308,577**	**687,518**	**350,330**	**11,401,737**

Accretion expense for prior-years' liabilities represents the expected interest accrued for opening benefit liabilities.

Note 10 — continued

Changes in actuarial valuation of benefit liabilities

	2016			2015		
	Claim costs	Less: Benefit payments	Changes in actuarial valuation of benefit liabilities	Claim costs	Less: Benefit payments	Changes in actuarial valuation of benefit liabilities
Short-term disability	266,565	279,017	(12,452)	266,654	278,845	(12,191)
Long-term disability	562,901	514,235	48,666	540,059	497,484	42,575
Survivor benefits	70,444	67,005	3,439	70,119	66,713	3,406
Health care	315,729	329,714	(13,985)	334,734	331,233	3,501
Vocational rehabilitation	91,924	98,867	(6,943)	110,488	107,507	2,981
	1,307,563	1,288,838	18,725	1,322,054	1,281,782	40,272
Claim administration*	282,057	260,061	21,996	226,901	251,845	(24,944)
	1,589,620	1,548,899	40,721	1,548,955	1,533,627	15,328
Latent occupational disease	1,291	—	1,291	488	—	488
Total	**1,590,911**	**1,548,899**	**42,012**	**1,549,443**	**1,533,627**	**15,816**

*Allocated amount from Administration costs (Note 15)

Sensitivity of actuarial assumptions

The most significant assumptions in determining claim benefit liabilities are the net discount rates. These are differences between the assumed investment rate (long-term assumption of 5.5 percent return) and the assumed growth rates of the specific factors driving benefit increases. A reduction in the assumed net discount rates would increase claim benefit liabilities and reduce the operating surplus, and vice versa.

The following table shows the sensitivity of claim benefit liabilities to an immediate one percentage point increase or decrease in these key net discount rate assumptions used to determine the liabilities.

	Net discount rate		Increase (decrease) in liabilities ($ millions)			
	2016	2015	2016		2015	
+/- % change in net discount rates			+1%	-1%	+1%	-1%
Health care inflation	0.0%	0.0%	(331)	426	(334)	430
Wage growth	2.0%	2.0%	(115)	136	(118)	139
Claim administration inflation	2.5%	2.5%	(58)	72	(56)	70
General inflation rate	3.0%	3.0%	(608)	713	(614)	721

Note 10 — continued

Management of insurance risks and rate-setting

In accordance with the *Workers Compensation Act*, the Accident Fund is financed by charging annual assessment rates to employers. These are applied as a percentage of assessable payroll to determine employer paid premiums.

The annual rate applicable to a given employer is determined as the sum of four main components:

- Cost of new injuries — calculated based on the industry in which the employer operates and the historical actuarial cost experience of that industry
- Amortization of the industry surplus or deficit — each industry group maintains its own insurance pool and is responsible for funding any deficits and receiving the benefit (rate reduction) of any surpluses
- Capping of rate increases and decreases — the change in rate for any classification unit within an industry group is usually limited to a 20 percent increase or decrease according to WorkSafeBC's normal rate-setting practices
- Experience rating — the actual rate paid by a given employer within an industry group is further increased or decreased depending on the employer's historical cost performance relative to other employers in that industry group

Under the *Workers Compensation Act*, WorkSafeBC has the power to set assessment rates to recover any shortfalls in assessment collection or fund any required reserves.

Concentration of risks

WorkSafeBC underwrites workplace injury insurance for all employers in British Columbia. Premium rates charged to employers vary by industry, reflecting the variety of loss frequencies experienced in different industries. In addition, rates charged for employers in the same industry are further adjusted based on the historical claims experience of each employer relative to the industry as a whole. WorkSafeBC is also potentially subject to risks resulting from litigation or legislative changes. Such changes can produce an immediate pervasive increase in the cost of the entire portfolio of insurance contracts.

Liquidity of benefit liability risks

The following table estimates the expected amounts and timing of future benefit and associated claim administration payments for the provision of outstanding claims. The expected timing of payments from the provision for outstanding claims involves considerable uncertainty.

Expected timing of future payments for outstanding claims	2016	2015
Up to 1 year	5%	5%
Over 1 year and up to 5 years	14%	14%
Over 5 years and up to 10 years	16%	15%
Over 10 years and up to 15 years	14%	14%
Over 15 years	51%	52%
Total	**100%**	**100%**

Note 10 — continued

Claims development

In the following table, cumulative claim costs are shown for each Year of Injury (YOI) and Year of Estimate (YOE). Each cell contains actual costs paid from YOI to YOE plus estimated costs projected to be paid beyond the YOE.

	Year of injury ($ millions)										
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	Total
Year of estimate											
2007	1,186										
2008	1,200	1,274									
2009	1,196	1,268	1,235								
2010	1,182	1,268	1,175	1,112							
2011	1,206	1,310	1,198	1,139	1,236						
2012	1,237	1,372	1,267	1,269	1,381	1,446					
2013	1,255	1,391	1,287	1,294	1,422	1,520	1,498				
2014	1,242	1,378	1,261	1,272	1,405	1,526	1,520	1,485			
2015	1,220	1,354	1,232	1,241	1,365	1,484	1,481	1,481	1,513		
2016	1,198	1,328	1,202	1,211	1,329	1,443	1,421	1,436	1,479	1,533	13,580
Current (2016) estimate of cumulative claim costs	1,198	1,328	1,202	1,211	1,329	1,443	1,421	1,436	1,479	1,533	13,580
Cumulative payments	(843)	(931)	(785)	(810)	(858)	(896)	(805)	(722)	(562)	(275)	(7,487)
Outstanding claims (undiscounted)	355	397	417	401	471	547	616	714	917	1,258	6,093
Discount											(3,165)
2006 and prior years of injury											1,991
Survivor benefits											108
Claim administration											710
Subtotal of outstanding claims — unfinalled liabilities											**5,737**
Pension liabilities											5,355
Latent occupational disease liability											352
Total outstanding claims per consolidated statement of financial position											**11,444**

Claim costs for most YOI exhibit a downward trend by the YOE. This is primarily due to a general reduction in unit liability costs over the past decade. This results in a higher estimated cost being replaced by a lower actual cost each year as the YOE progresses which, in turn, produces the downward trend shown.

Note 11 — Reserves

Accounting policy

WorkSafeBC has established different reserves for both specific and general purposes. They were created either due to legislative requirement, as specified below, or as approved by the Board of Directors. Reserves are funded through appropriations from the unappropriated balance. Transfers to and from reserves are accounted for as appropriations from or returns to the unappropriated balance.

Special reserves

The $40,000 Accident Fund special reserves, established pursuant to Section 39 of the *Workers Compensation Act*, include the:

- Contingent Reserve [Section 39(1)(b)], which provides a reserve in aid of industries or classes that may become depleted or extinguished
- Disaster Reserve [Section 39(1)(d)], which provides a reserve to meet the loss arising from a disaster or other circumstances WorkSafeBC considers an unfair burden to the employers in a particular class
- Enhancement Reserve [Section 39(1)(e)], which provides a reserve for payment of that portion of a disability enhanced by reason of a pre-existing disease, condition, or disability

Claims deemed by WorkSafeBC to be covered by these reserves are charged to current operations but prorated to the various employer classes rather than being charged directly to any specific class.

Latent Occupational Disease Reserve

WorkSafeBC established a $200,000 Latent Occupational Disease Reserve relating to occupational diseases not currently recognized as compensable but that may be recognized in the future based on new scientific evidence. These claims, unknown at present, will not be reported for a number of years due to the extended latency periods and delay before they are scientifically recognized. This reserve has been provided for in addition to the amount recognized as a liability (Note 10).

Earthquake Disaster Reserve

A $20,000 Earthquake Disaster Reserve was established to provide for claims from workers who may be injured in the course of their employment during an earthquake disaster.

Research Reserve

The $30,000 Accident Fund Research Reserve, established pursuant to Section 111 of the *Workers Compensation Act*, funds initiatives in scientific study, as well as disseminating information and applying ways to reduce occupational injury, disease, impairment, or disability arising from employment, in support of WorkSafeBC's strategic plan. The $30,000 reserve will remain intact; investment income earned on the reserve, calculated using WorkSafeBC's smoothed accounting rate of return, is directed to funding research.

Injury Reduction and Return-to-Work Initiatives Reserve

In 2010, WorkSafeBC established a $50,000 reserve from its unappropriated balance to provide funding for piloting and implementing initiatives in workplace injury reduction and disability and injury management. This reserve will remain intact; investment income earned on the reserve, calculated using WorkSafeBC's smoothed accounting rate of return, is directed to funding projects in this area.

General Reserve

In 2006, WorkSafeBC established a $250,000 General Reserve from its unappropriated balance to provide for special circumstances, including legislative changes that might significantly impact the organization's consolidated financial statements and assessment rates levied in a particular year. The target level of the reserve will be evaluated and, if necessary, adjusted yearly based on emerging circumstances — including pending legislation. This reserve will be drawn down when circumstances in the year would otherwise significantly impact employer assessment rates.

Capital Adequacy Reserve

In 2007, WorkSafeBC established a Capital Adequacy Reserve (CAR) to ensure it maintains an asset level for the Accident Fund that is adequate to mitigate the risks in its assets and liabilities. Funds will be appropriated from the unappropriated balance into the CAR, based on internal policy, until the reserve is built up to the target CAR level [determined using a methodology derived from capital reserve guidelines of the federal Office of the Superintendent of Financial Institutions (OSFI)]. In September 2014, OSFI announced changes to the minimum capital requirements, effective January 1, 2015, and were implemented by WorkSafeBC at that time. Although WorkSafeBC is not subject to regulatory oversight by OSFI, it seeks to provide security for worker benefits comparable to that required of private insurers regulated by OSFI.

In 2016, $774,000 (2015: $554,000) was contributed to the CAR.

Note 11 — continued

	December 31, 2016	December 31, 2015
Capital Adequacy Reserve	3,137,000	2,363,000
Target Capital Adequacy Reserve level	4,600,000	3,998,000

The target Capital Adequacy Reserve level is affected by the value of assets and liabilities to which risk factors (derived from OSFI guidelines) are applied.

Reserves

	December 31, 2016	December 31, 2015
Special reserves		
Contingent Reserve	2,500	2,500
Disaster Reserve	16,500	16,500
Enhancement Reserve	21,000	21,000
	40,000	40,000
Latent Occupational Disease Reserve	200,000	200,000
Earthquake Disaster Reserve	20,000	20,000
Research Reserve	30,000	30,000
Injury Reduction and Return-to-Work Initiatives Reserve	50,000	50,000
General Reserve	250,000	250,000
Capital Adequacy Reserve	3,137,000	2,363,000
Total	**3,727,000**	**2,953,000**

Note 12 — Premiums

Accounting policy

Premium revenue primarily consists of statutory employer assessments for workplace injury coverage. Rateable employer premiums are assessed when employers report their insurable earnings for the current premium year. For employers who have not reported, premiums are estimated and any differences between actual and estimated premiums are adjusted when insurable earnings are reported. Self-insured employers' premiums are recognized based on the costs of their employees' claims (Note 13).

Premium revenue is fully earned and recognized over the coverage period. As a significant portion of premium income for the year relating to rateable employers is not received until after year-end, the amount shown is an estimate based on economic and statistical data (Note 3). The difference between the estimate and actual income received is credited or charged to income in the following year. Historically, the difference has not been significant.

Reported premium revenue for the current period includes adjustments for premiums from prior periods and penalties on overdue assessments, and is net of Partners program financial incentives.

Partners in Injury and Disability Prevention (Certificate of Recognition) program

The Partners in Injury and Disability Prevention program (Certificate of Recognition) is an employer incentive program supporting WorkSafeBC's vision of workers and workplaces that are safe and secure from injury, disease, and death. Through financial incentives, it encourages employers to implement health, safety, and return-to-work management systems. WorkSafeBC recognizes the estimated payments to qualified employers expected to have satisfied the program criteria as at December 31 as a provision. These amounts are recognized as offsets against accrued premiums (Note 3).

Note 12 — continued

The difference between the estimate and actual payments provided to employers is credited or charged to income in the following year. Historically, the difference has not been significant.

Capping of rate changes

The capping of rate changes represents the effect of WorkSafeBC's policy to limit changes to the base rates of any rate group from year to year.

Amortization of balance

Amortization of the balance represents the effect of the planned amortization of the projected unappropriated balance (surplus or deficit, determined on a smoothed basis) of each rate group at the beginning of each assessment year.

Industry funding via balance

This amount represents the charge in the assessment rate for external health and safety programs, which are funded over a five-year period.

Certificate of Recognition charge

The amounts shown under the Partners in Injury and Disability Prevention (PIDP) program table heading represent the estimated premium reduction granted to employers participating in the Certificate of Recognition program. The amounts shown under the Certificate of Recognition charge table heading represents the funding of the PIDP premium reductions over a five-year period.

Capital Adequacy Reserve drawdown

This amount represents the reduction in the premium resulting from a drawdown from the Capital Adequacy Reserve (CAR) approved by the Board of Directors to stabilize the overall assessment rate.

Premium income

	2016	2015
Rateable classes	1,592,588	1,580,906
Partners in Injury and Disability Prevention program (Certificate of Recognition) financial incentives	(48,282)	(45,779)
Capping of rate changes and amortization of balance		
Capping of rate changes	(18,756)	(62,357)
Amortization of balance	(55,293)	(14,615)
Industry funding via balance	—	6,115
Certificate of Recognition charge	43,171	34,586
Capital Adequacy Reserve drawdown	(55,833)	(117,854)
	(86,711)	(154,125)
Penalties on overdue assessments	7,667	7,405
Rateable employers	1,465,262	1,388,407
Self-insured employers (Note 13)	28,515	24,856
Total	**1,493,777**	**1,413,263**

Note 13 — Self-insured employers

Accounting policy

Certain employers are permitted to be self-insured under the *Workers Compensation Act* of British Columbia (the Act). For these employers, premiums are billed and amounts are recognized on a monthly basis equal to the benefit payments made for short-term disability, health care, vocational rehabilitation, and for the values of pension reserves for long-term disability and survivor benefits, based on the present value of monthly pension payments over the expected length of the pension. Self-insured employers are also billed for their proportionate share of WorkSafeBC administration costs and other costs where applicable; they earn or are charged interest on the monthly average deposit balance under Section 48 of the Act. Additionally, in those years when investment return on the pension reserve exceeds the minimum required return, the surplus is credited to the employer and applied to reduce claim cost reimbursements. Conversely, the deficit is charged to the employer when investment return is less than the minimum required.

Premium income — self-insured employers

	2016	2015
Claim costs		
Short-term disability	5,235	6,869
Long-term disability	13,901	10,740
Survivor benefits	1,036	2,070
Health care	6,766	5,019
Vocational rehabilitation	1,461	2,288
Long-latency occupational diseases	(8)	(60)
Claim administration	6,611	4,959
	35,002	31,885
Share of special reserves costs	4,918	4,326
Operating costs	2,663	2,218
Other (income) costs	(458)	44
	42,125	38,473
Less:		
Share of investment income	(13,610)	(13,617)
Total	**28,515**	**24,856**

Included in the benefit liabilities is $152,398 (December 31, 2015: $149,551) of provision for unfinalled claims for self-insured employers and $8,361 (December 31, 2015: $8,359) for the long-latency occupational disease liability. An equivalent amount is included in receivables because these liabilities will be paid by those employers in future years; hence, they do not affect WorkSafeBC's funded position.

Note 14 — Other income

Accounting policy

Other income includes prevention penalties for workplace safety infractions, third-party litigation fee recoveries, Freedom of Information and disclosure fees, and amounts charged for publications and rentals, along with other incidental revenues. Prevention penalties are recognized when penalties are assessed; other revenues are recognized when services are provided.

Other income

	2016	2015
Prevention penalties	5,487	6,847
Third-party litigation fee recoveries	1,986	3,012
Miscellaneous income	857	675
Total	**8,330**	**10,534**

Note 15 — Prevention and administration costs

Accounting policy

Prevention and administration costs are recognized once goods and services have been received. Administration costs include claim administration costs, appellate costs, and general and administrative support costs.

Claim administration costs relate to the portion of administration costs incurred to adjudicate claims for compensation, manage claims, and process claim payments; these are allocated to claim costs.

Prevention and administration costs

	2016						
		Administration costs					
	Prevention costs	Customer services	Information technology and facilities	Corporate services	WCAT,* Review Division, and advisers	Subtotal	Total
Salaries and employee benefits	56,105	143,873	31,837	105,347	13,133	294,190	350,295
Amortization of capital assets	2,339	7,761	11,798	3,075	304	22,938	25,277
WCAT* and advisers	—	—	—	—	26,611	26,611	26,611
Consulting fees	2,253	2,488	11,939	5,180	188	19,795	22,048
Office expenses and communication	2,234	7,891	13,631	810	712	23,044	25,278
Building expenses	137	253	10,919	768	22	11,962	12,099
Sessional doctor fees	—	5,117	—	—	107	5,224	5,224
Travel and vehicle expenses	3,368	2,193	294	265	23	2,775	6,143
Other administration expenses	3,911	10,939	3,426	15,860	202	30,427	34,338
Cost recoveries	(279)	(21,806)	(7,275)	(18,827)	—	(47,908)	(48,187)
	70,068	158,709	76,569	112,478	41,302	389,058	459,126
Less:							
Claim administration costs	—	126,013	47,452	58,521	28,075	260,061	260,061
Total	**70,068**	**32,696**	**29,117**	**53,957**	**13,227**	**128,997**	**199,065**

*Workers' Compensation Appeal Tribunal

Note 15 — continued

Prevention and administration costs

2015

	Prevention costs	Administration costs: Customer services	Information technology and facilities	Corporate services	WCAT,* Review Division, and advisers	Subtotal	Total
Salaries and employee benefits	55,408	146,715	33,288	89,761	12,916	282,680	338,088
Amortization of capital assets	2,306	8,069	12,017	3,464	538	24,088	26,394
WCAT* and advisers	—	—	—	—	26,979	26,979	26,979
Consulting fees	1,996	1,197	11,674	5,968	33	18,872	20,868
Office expenses and communication	1,833	7,599	13,099	(7)	675	21,366	23,199
Building expenses	132	207	10,878	811	41	11,937	12,069
Sessional doctor fees	1	6,091	—	—	161	6,252	6,253
Travel and vehicle expenses	3,180	1,970	265	337	9	2,581	5,761
Other administration expenses	2,626	10,655	1,907	11,567	209	24,338	26,964
Cost recoveries	(366)	(23,120)	(7,494)	(19,660)	—	(50,274)	(50,640)
	67,116	159,383	75,634	92,241	41,561	368,819	435,935
Less:							
Claim administration costs	—	126,602	47,370	49,787	28,086	251,845	251,845
Total	**67,116**	**32,781**	**28,264**	**42,454**	**13,475**	**116,974**	**184,090**

*Workers' Compensation Appeal Tribunal

Note 16 — Injury research and reduction initiatives

Accounting policy

WorkSafeBC provides funding to support high-quality, independent, scientific study relating to workplace health and safety, as well as research in the area of workers' compensation. Funding is also provided to organizations furthering the education and development of safe workplace practices. These expenses are recognized when the services or deliverable milestones have been performed.

Partners in Injury and Disability Prevention program administration (Certificate of Recognition)

The Partners in Injury and Disability Prevention program (Certificate of Recognition) supports WorkSafeBC's vision of workers and workplaces safe and secure from injury, disease, and death. Funding is provided to health and safety associations and other industry organizations to administer this financial incentive program.

Injury research and reduction initiatives

	2016	2015
Injury-reduction initiatives	9,406	10,332
Partners in Injury and Disability Prevention program administration (Certificate of Recognition)	6,362	5,798
Research grants	1,131	818
Total	**16,899**	**16,948**

Note 17 — Commitments

WorkSafeBC has several facility operating leases. Renewal options are a feature in some of the lease agreements. As WorkSafeBC may or may not exercise its rights under these options, renewal amounts are excluded from commitments. Future commitments for payments expected to be charged against operating costs for operating leases over the next five years are as follows:

	December 31, 2016	December 31, 2015
2016	—	4,143
2017	4,456	4,653
2018	4,511	4,961
2019	3,492	2,963
2020	2,857	1,598
2021 and beyond	3,321	2,408
Total	**18,637**	**20,726**

Additionally, WorkSafeBC has committed to participating in the future funding of investments in private placements, foreign real estate, infrastructure, and renewable resources. Unfunded commitments as at December 31, 2016 were $1,537,313 (2015: $1,216,345). If necessary, units of pooled fund investments will be liquidated to satisfy these funding requirements. Timing of the funding and related investment is uncertain as it is dependent upon appropriate investing opportunities identified by bcIMC.

Note 18 — Contingencies

Legal proceedings

At any given time, WorkSafeBC is party to various claims and legal proceedings relating to its operations. Management believes WorkSafeBC has strong defences against these claims and that no financial provisions for them are appropriate or required.

Indemnification agreements

In the normal course of operations, WorkSafeBC enters into contractual agreements containing standard contract terms which provide that WorkSafeBC shall indemnify certain parties. The potential liability of WorkSafeBC under the terms will vary depending on the wording of the terms and/or the occurrence of contingent or future events, the nature of which prevents WorkSafeBC from making a reasonable estimate of the potential amount that may be payable to those contractual parties. WorkSafeBC also indemnifies its employees and members of its Investment Committee against all claims or proceedings brought against them for any actions performed which the individual believed were within the jurisdiction of WorkSafeBC and in the course of their employment, or performed with reasonable care within the committee's terms of reference. WorkSafeBC has not made any payments or accrued any amounts in the consolidated financial statements relating to these indemnifications.

Note 19 — Capital management

WorkSafeBC's total capital available or funded position is represented by the sum of the unappropriated balance, accumulated other comprehensive income (loss), and reserves. When managing capital, WorkSafeBC's objectives are:

- To build up capital to a level that provides a comparable degree of security of worker benefits to those required for private insurers regulated under the federal Office of the Superintendent of Financial Institutions (OSFI). WorkSafeBC has adopted a capital adequacy policy modelled after OSFI guidelines. This policy specifies the criteria under which the Capital Adequacy Reserve (CAR) will be built up or drawn down.
- To mitigate the risks in the investment portfolio and reduce the volatility of employer premium rates arising from investment in equities. Equity investments are expected to produce higher long-term returns and, thus, lower long-term employer assessment costs, but are subject to market volatility. Strong capital reserves can be drawn upon to limit employer premium-rate volatility arising from such investments.
- To cover reasonable levels of foreseen and unforeseen plausible events that, though they occur infrequently, could have a significant financial impact on WorkSafeBC.

These objectives align with WorkSafeBC's strategic objective of ensuring the long-term financial sustainability of the workers' compensation system.

As already noted, WorkSafeBC maintains a CAR and has set a target level to achieve the capital management objectives noted above (Note 11). The following table shows the total assets as a ratio of the target asset requirement level, based on the total liabilities plus the target CAR level and other reserves. The optimum goal is to achieve 100 percent of the target asset requirement (key performance indicator #8, page 52).

	December 31, 2016	December 31, 2015
Total assets	16,998,598	16,425,323
Target asset requirement level	17,175,470	16,497,674
Percent of target assets achieved	**99%**	**100%**

Note 20 — Related party transactions

The information presented in this note has not been rounded to the nearest $ thousands.

Government-related entities

WorkSafeBC is accountable to the public through its Board of Directors, appointed by B.C.'s Minister Responsible for Labour. WorkSafeBC is separate and distinct from the Government of B.C., and is not part of the B.C. government reporting entity.

Key management personnel

Compensation

The table that follows shows the compensation for WorkSafeBC's key management personnel; the composition of the key management personnel has changed from the previous year.

2016

	Salary	Short-term benefits	Holdback	Other earnings	Pension	Total
President and CEO	315,803	9,104	35,089	10,625	27,498	398,119
Senior vice-president, Finance and IT, and CFO	267,851	16,496	29,767	10,126	23,196	347,436
Senior vice-president, Operations	241,066	18,024	26,790	7,500	20,605	313,985
Senior vice-president and General Counsel	215,078	15,795	24,981	10,169	16,633	282,656
Total	**1,039,798**	**59,419**	**116,627**	**38,420**	**87,932**	**1,342,196**

2015

	Salary	Short-term benefits	Holdback	Other earnings	Pension	Total
President and CEO	315,803	8,892	35,089	10,625	36,938	407,347
Senior vice-president, HR and Corporate Services	265,320	14,724	23,584	12,085	31,123	346,836
Senior vice-president, Finance and IT, and CFO	265,320	16,183	23,584	10,126	30,905	346,118
Senior vice-president, Operations	238,788	17,684	21,226	7,500	27,471	312,669
Total	**1,085,231**	**57,483**	**103,483**	**40,336**	**126,437**	**1,412,970**

Short-term benefits include medical benefits, dental benefits, group life insurance, accident insurance, and the employer's share of contributions or payments to the Canada Pension Plan (CPP) and Employment Insurance (EI).

Holdbacks are the portion of current reporting period salary payable to incumbents in future periods.

Other earnings include payouts for unused vacation, car allowances, and supplementary executive allowances for reimbursement of medical, dental, and insurance expenses not covered by employee benefit plans.

Pension costs represent the employer's share of contributions or payments to the WorkSafeBC employee pension plan for the reported earnings.

Note 20 — continued

The following tables show total compensation for the WorkSafeBC Board of Directors:

2016

	Number of individuals	Fees	Statutory benefits	Total
Chair, Board of Directors	1	40,250	2,808	43,058
Board members	8	128,875	7,874	136,749
Total	**9**	**169,125**	**10,682**	**179,807**

2015

	Number of individuals	Fees	Statutory benefits	Total
Chair, Board of Directors	1	29,100	710	29,810
Board members	8	122,625	7,259	129,884
Total	**9**	**151,725**	**7,969**	**159,694**

Annual retainers of $15,000 and $7,500 were provided to the Chair of the Board and other Board members respectively. In addition, Board members received $500 per meeting attended, or $250 per meeting attended with duration of less than or equal to four hours. Board members serving as subcommittee chairs received an additional annual retainer of $5,000 for Audit Committee and $3,000 for other committees. Statutory benefits consist of WorkSafeBC's share of CPP contributions and EI premiums when compensation is paid to the individual.

Pension plan

WorkSafeBC has a pension plan which is a related party by virtue of IAS 24 (*Related Party Disclosures*). See Note 9 for detailed information on pension plan transactions.

Note 21 — Subsequent event

On March 29, 2017, the Ministry of Jobs, Tourism and Skills Training and Responsible for Labour issued a news release stating the government intends to amend the *Workers Compensation Act* (the Act) requiring establishment of new policy to address surpluses in the Accident Fund. The new policy will outline what threshold level of assets over liabilities will trigger a return of funds to employers. Employers will be consulted about the elements required to establish the policy, including protecting against severe fluctuations in premium rates. An estimate of the financial impact to WorkSafeBC's funded position cannot be made until the legislation is introduced and the policy written.

Appendix A: Comparing results with other Canadian Workers' Compensation Organizations

Each workers' compensation organization in Canada is subject to a distinct set of legal requirements, policies, and operating issues, so it is difficult to make direct comparisons between WorkSafeBC's performance and that of other organizations.

To enable performance comparisons, the Association of Workers' Compensation Boards of Canada (AWCBC) compiles a set of standardized financial and statistical indicators. These unaudited indicators are compiled using data collected from all Canadian workers' compensation organizations, including WorkSafeBC. Most of these indicators are not directly comparable with the 10 key performance indicators we use; however, in some cases our performance can be approximately compared to that of other workers' compensation organizations. All comparisons are made using 2015 data — the most current information available at the time of publication.

Key objective #1: Reduce the provincial injury rate

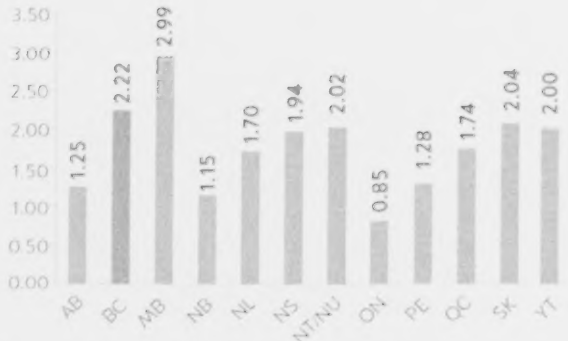
2016 target: 2.30 or less claims first accepted per 100 person-years of employment

2016 result: 2.21 claims first accepted per 100 person-years of employment (see page 30)

2017–2019 targets: 2.25 or less, 2.25 or less, 2.25 or less

Related comparison: The AWCBC publishes an annual, province/territorial comparison of injury frequency using a standardized calculation. However, injury frequency cannot be directly compared between provinces as injury rates are influenced by the industries present in each jurisdiction. The following chart reflects the relative injury frequency for all provinces, as published in April 2017 (based on 2015 source data).

Injury frequency
(per 100 workers of assessable employers)



Source: AWCBC Key Statistical Measures 2015

Did you know?

One worker dies every three days from a work-related illness or injury

Key objective #2: Improve return-to-work outcomes

2016 target: 82.0 percent of workers returning to work by 26 weeks

2016 result: 82.7 percent (see page 36)

2017–2019 targets: 82.0 percent, 82.0 percent, 82.0 percent

Related comparison: The AWCBC publishes an annual, provincial/territorial comparison of claim duration using a standardized calculation to measure when injured workers leave the wage-loss compensation system and return to work following an injury. While not fully equivalent with our KPI #2 measure, improve return-to-work outcomes, the AWCBC measurement of percentage of accepted lost-time claims that have received their last day of wage-loss benefits 120 days after injury provides a comparable measure. The following table provides the most current data available.

Percentage of wage-loss claims off compensation at 120 days*

Source: AWCBC Key Statistical Measures 2014

*At time of publishing AWCBC 2015 data was not availbale; data presented is from 2014, the most recent available.

Key objective #3: Improve return-to-work outcomes for workers in vocational rehabilitation

Related comparison: No comparable data is available.

Key objective #4: Improve timeliness of initial short-term disability payments

2016 target: 18.0 days

2016 result: 17.6 days (see page 42)

2017–2019 targets: 18.0 days, 17.5 days, 17.5 days

Related comparison: The AWCBC publishes an annual provincial/territorial comparison of timeliness of initial short-term disability payments using a standardized calculation that is slightly different from WorkSafeBC's calculation method. The chart that follows reflects the average number of calendar days starting from the date of injury to the date of first payment, as published in April 2017 (based on 2015 source data).

Average calendar days from injury to first payment issued

Source: AWCBC Key Statistical Measures 2015

Key objective #5: Improve injured workers' rating of overall experience

Related comparison: No comparable data is available.

Key objective #6: Improve employers' rating of overall experience

Related comparison: No comparable data is available.

Key objective #7: Raise public confidence

Related comparison: No comparable data is available.

Key objective #8: Achieve 100 percent of the target asset level

2016 target: 97 percent

2016 result: 99 percent (see page 52)

2017–2019 targets: 97 percent, 98 percent, 98 percent

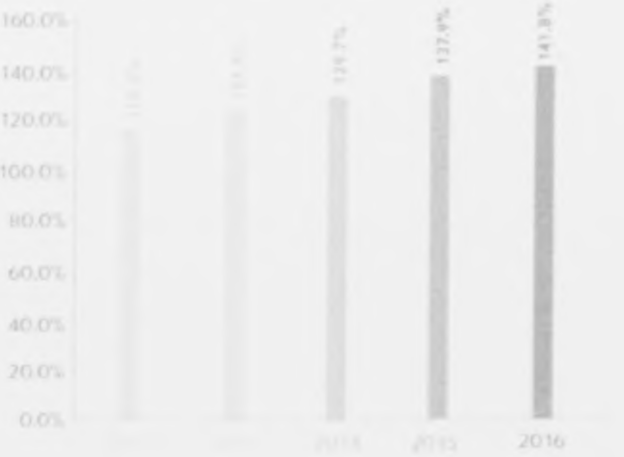
Related comparison: For the purposes of comparison with other provinces and territories in Canada, the only other metric of funding adequacy that is available, and used by the AWCBC, is total assets divided by total liabilities. The following chart shows the average funding level of each provincial and territorial workers' compensation system, published in April 2017, stated in terms of its market value and based on year-end 2015 data.

Total assets over total liabilities (provinces and territories)

Source: AWCBC Key Statistical Measures 2015

WorkSafeBC's funding level for 2012 through 2016 is also shown for comparative purposes. In comparing the two measures of funding sufficiency — achieve 100 percent of the target asset level versus assets over liabilities — 99 percent achievement against the target asset level equates to 142 percent asset coverage over liabilities, because WorkSafeBC aims to have more assets than liabilities, in the form of various reserves. (See Note 11 of the consolidated financial statements, page 124.)

Total assets over total liabilities (WorkSafeBC)



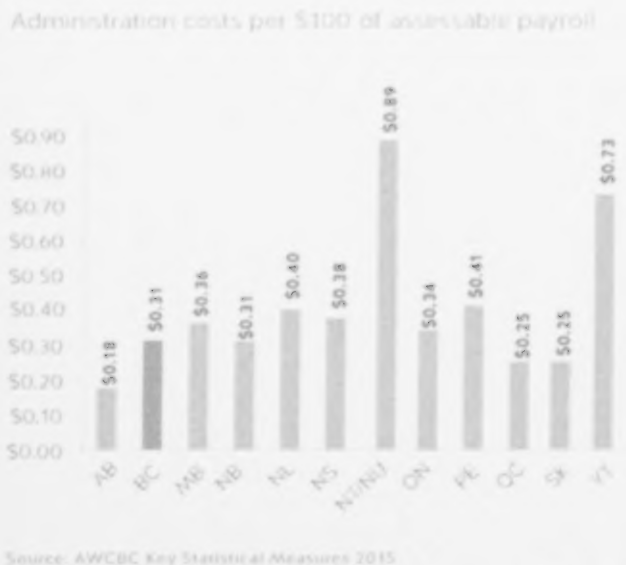
Key objective #9: Control administration costs (per $100 of assessable payroll)

2016 target: $0.51

2016 result: $0.49 (see page 55)

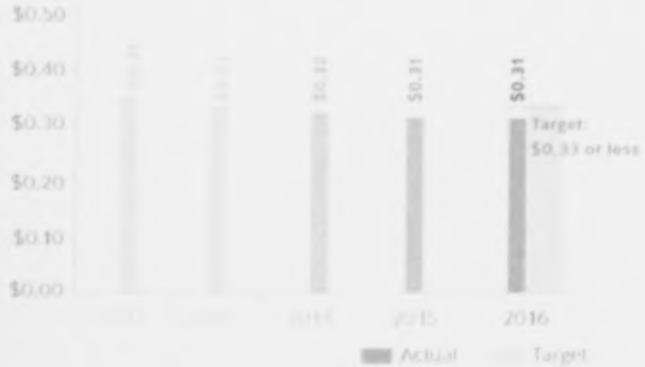
2017–2019 targets: $0.49, $0.48, $0.47

Related comparison: The AWCBC calculates administration costs per $100 of assessable employer payroll according to a standardized formula. The following chart shows the administration costs per $100 of assessable employer payroll for each provincial and territorial jurisdiction as published in April 2017 (based on year-end 2015 data).



Source: AWCBC Key Statistical Measures 2015

For year-over-year comparisons, the following chart shows WorkSafeBC's administration costs (AWCBC definition) per $100 of assessable payroll.



The 2016 result is the same as 2015. Administration costs (AWCBC definition) increased by 6.7 percent ($18.3 million), and the province's assessable payroll increased by 4.1 percent ($3.6 billion). The actual $0.31 result was better than target due to lower-than-budgeted administration costs.

Key objective #10: Improve decision making throughout WorkSafeBC, ensuring consistency with legislation and policy

Related comparison: No comparable data is available.

Senior Executive

Diana Miles
President and Chief Executive Officer

Trevor Alexander
Senior Vice-President, Operations

Brian Erickson
Senior Vice-President, Finance/IT
and Chief Financial Officer

Ian Shaw
Senior Vice-President and General Counsel

Al Johnson
Vice-President, Prevention Services

Kevin La Freniere
Vice-President, Business Analysis,
Corporate Communications, and Marketing

Todd McDonald
Vice-President, Claims Services

Anne Naser
Chief Information Officer

Wendy Strugnell
Vice-President, Corporate Services and
Chief Human Resources Officer

Dale Walker
Vice-President, Employer, Industry and Worker Services

Online viewing

For an electronic copy of this report, visit our website at worksafebc.com.

Feedback

To comment on WorkSafeBC's *2016 Annual Report and 2017–2019 Service Plan*, contact Terence Little, Director of Corporate Communications, at 604.276.7666, or email terence.little@worksafebc.com.

Endnotes

1. In accordance with a November 17, 2015 amendment to the *Workers Compensation Act*, the annual report and service plan must be provided annually to the minister by April 30.
2. For priorities, goals, and operational objectives as defined by the strategic plan, see page 26.
3. An outline for public performance plans and reports providing a set of performance reporting principles for the British Columbia public sector. For a complete list of reporting principles, visit bcauditor.com.
4. Smoothed accounting recognizes investment income at the required rate of return (based on the inflation rate plus the 3.0 percent discount rate used to calculate liabilities) plus amortization, over a five-year period, of the difference between the actual and required return on investments. The smoothed-basis investment income is adjusted, if necessary, to ensure the smoothed value of assets is between 90 and 110 percent of the market value of assets. Smoothed accounting also amortizes actuarial gains or losses, relating to WorkSafeBC's employee benefit plan assets and liabilities, on a straight-line basis over a five-year period. Also, the benefit liability for long-latency occupational diseases (which may result in future claims) is not recognized under smoothed accounting.
5. The Accident Fund provides for the payment of compensation, outlays, and expenses referred to in Section 36 of the *Workers Compensation Act*. It is made up of the portfolio of investments and other WorkSafeBC assets.
6. The reduction in the percentage of the target asset level achieved for 2016 is primarily due to additional risk capital required in 2016, based on guidelines of the Office of the Superintendent of Financial Institutions (OSFI). Further detail is provided in KPI #8, page 52.
7. The provincial injury rate is calculated according to the Association of Workers' Compensation Boards of Canada's definition of the term (see Appendix A, page 134). Wage-loss injuries, work-related death claims (cases involving funeral expenses and/or survivor benefits), and long-term disability claims occurring in 2016 that were first paid that year (or anticipated to be initially paid in the first quarter of 2017) are counted and expressed as a ratio to 100 person-years of employment. Injuries arising from employment related to deposit-class employers are excluded from this calculation. A person-year is the equivalent of one person working all year on either a part- or full-time basis. Estimates for person-years are based on gross payrolls submitted by employers, as well as matching wage-rate data.
8. For more information on the serious injury rate, consult *WorkSafeBC Statistics 2016*, available at worksafebc.com/annual report.
9. WorkSafeBC uses *International Classification of Diseases, Ninth Revision* (ICD-9) to categorize specified injury or disease types.
10. Fifty or more lost workdays.
11. The provincial injury rate is determined by the relationship between the number of injuries and the employment base. In 2016, there was a small increase in the number of injured workers with accepted claims (2 percent) versus the increase (3 percent) in the employment base (person-years).
12. Beginning in 2015, the methodology to calculate deaths identified as work-related was amended. The new calculation accounts for work-related deaths in the year they are accepted. Previously, work-related deaths were counted in the year they were first paid.
13. This result is not comparable to previous years due to a data restatement in 2016.
14. See endnote 12.
15. WorkSafeBC may stop or prohibit work from starting at other workplaces, or parts of those workplaces, where a stop work order has been issued to the same employer.
16. Instead of issuing an order for violations that are not high risk, WorkSafeBC may enter into a compliance agreement with an employer. Under its terms, the employer voluntarily agrees to correct occupational health and safety violations and report back to WorkSafeBC by a specified date.
17. Through regulation, WorkSafeBC can quickly and efficiently issue administrative penalties of up to $1,000 (plus CPI) using a tool that allows WorkSafeBC to penalize employers that fail to comply with orders or fail to prepare/send a compliance report. This tool is not used in circumstances deemed high risk.
18. WorkSafeBC reviews historical incidents and claim statistics from all industry sectors in B.C., identifying those with significant exposures and at greater risk for injuries and fatalities.
19. The agriculture, fishing, forestry, and oil and gas industries are categorized as the Primary Resources sector. The health care industry is included in the Public sector. A complete list of sectors can be found in *WorkSafeBC Statistics 2016*, available at worksafebc.com/annual report.
20. For 2016, the construction high-risk strategy saw WorkSafeBC resources focused on falls from ladders — one of the sector's leading high-risk activities.
21. According to the Canadian Centre for Occupational Health and Safety, risk is defined as the chance or probability a person will be harmed or experience an adverse health effect if exposed to a hazard.
22. Silica is a basic component of soil, sand, concrete, and many other materials often found at a construction site. Dust created by disturbing these materials can contain fine crystalline silica particles; when inhaled, only a very small amount of the toxic respirable dust creates a health hazard. Particles can penetrate into the lungs and cause disabling and sometimes fatal pulmonary diseases, including silicosis and lung cancer.

23. In 2016, the BC Association of Restoration Contractors (BCARC) merged its health and safety association funding with the BC Construction Safety Alliance; this reduced the number of funded health and safety associations from 13 to 12.
24. Before 2013, this KPI measured the percentage of workers returning to work within 26 weeks from the date they were first off work due to injury out of the count of time-loss claims concluded in the same period. Now, whether the claim is open or closed, this KPI's refined methodology includes the most recent outcome of any unconcluded claim within the calendar year that is greater than 26 weeks. Prior-year results have not been restated.
25. The 26-week milestone was chosen for several reasons: it is recognized by workers' compensation boards across Canada as a key marker; the Association of Workers' Compensation Boards of Canada (AWCBC) uses 180 days (26 weeks) return to work as a key statistical measure; and in Medical Recovery Guidelines (such as MDGuidelines) the majority of injuries show recovery before six months. This milestone also enables us to monitor the outcomes of early intervention initiatives designed primarily to aid workers in returning to the same pre-incident workplace and employer; we have determined the 26-week window offers the greatest potential for our claim management teams to ensure durable return to work.
26. The Three Pillars of Case Management focuses on proactive return-to-work planning, building trusting relationships, and delivering quality adjudication. The Three Pillars are supported by 15 case management best practices aimed at developing effective and individualized return to work and recovery planning for injured workers.
27. These claims represent those accepted in the year and that have received first wage-loss compensation payments.
28. Survey results for this year are not comparable to those published in prior WorkSafeBC annual report and service plan publications. Number of days reported are calculated based on calendar days.
29. Number of days reported in this key performance indicator are calculated as calendar days, not business days.
30. The 17.6-day timeliness statistic represents 75 percent of injured workers receiving payments directly from WorkSafeBC (timeliness of 23.3 days) and 25 percent of injured workers who continue to be paid by their employers (experienced timeliness of 0 days).
31. Through WorkSafeBC's Teleclaim service, a pilot targeting small business employers was started in 2016. In this pilot, Teleclaim customer service representatives contact employers to gather missing or incomplete information in an effort to more efficiently register and process injured workers' claims.
32. Results represent the percentage of injured workers rating their overall experience as good or very good.
33. In 2016, approximately 1,200 eligible employers were excluded from the population data provided to Ipsos (roughly 13,000 employers), as they registered out-of-province telephone numbers with WorkSafeBC.
34. See endnote 31.
35. As highlighted in last year's annual report, effective January 1, 2015 the Office of the Superintendent of Financial Institutions (OSFI) revised the methodology for determining minimum capital requirements. Minimum capital factors changed in both the asset and liability categories. The result was a net increase in WorkSafeBC's required capital of about $1,112 million as of January 1, 2015. As part of the transition to this new methodology and to dampen the impact of this change, OSFI requires a phase-in of the additional capital. This phase-in is to be achieved uniformly over a three-year period which began January 1, 2015 (mathematically by reducing the additional $1,112 million on a straight-line basis).
36. Examples of environmental factors that could result in increased costs include potential legislative changes, judicial reviews, class action lawsuits, and earthquakes.
37. The measure of funding adequacy used by the Association of Workers' Compensation Boards of Canada (AWCBC) is total assets over total liabilities (see Appendix A, page 136). For example, in 2016 actual assets were $16,989 million. This represents 142 percent of the liabilities of $11,985 million, but 99 percent of the current target asset level of $17,175 million.
38. WorkSafeBC determines the target level of the Capital Adequacy Reserve (CAR) using an approach comparable to that prescribed for private insurers by the Office of the Superintendent of Financial Institutions (OSFI). This approach determines the minimum capital requirement by considering the insurer's risk profile. OSFI requires that private insurers maintain levels of at least 150 percent of the minimum capital requirement. By resolution in 2013, WorkSafeBC's Board of Directors set the target capital requirement (equal to the target level of the CAR plus actual level of other non-CAR reserves) at 150 percent of the OSFI minimum capital requirement level.
39. Under the *Workers Compensation Act*, short-term disability, long-term disability, and survivor benefits are indexed against the annual increase in the consumer price index (CPI), as measured by the year-over-year CPI at October each year. These benefits are indexed to inflation at CPI growth less 1.0 percent, with a maximum of 4.0 percent and a minimum of 0.0. Inflation adjustments applied to benefit rates were 0.03 percent at January 1, 2016 (1.03 percent CPI growth less 1.00 percent) and 0.49 percent at January 1, 2017 (1.49 percent CPI growth less 1.00 percent).
40. The Accident Fund provides for the payment of compensation, outlays, and expenses referred to in Section 36 of the *Workers Compensation Act*. It is made up of the portfolio of investments and other WorkSafeBC assets.
41. In accordance with the AWCBC's calculation method, administration costs are adjusted for operating and legislative differences; they do not include costs associated with prevention, treasury investment, third-party recoveries and related legal expenses, grants, external appeals, workers' and employers' advisers, sessional physicians, external medical service providers, and costs related to self-insured employers — all listed as costs excluded per the AWCBC's definition. Due to differences between Canadian workers' compensation organizations, Review Division (internal appeals) costs are also excluded.

42. Ministry of Finance estimates of B.C.'s labour income for 2017 through 2019, as published in *B.C.'s Budget and Fiscal Plan 2017/18–2019/20*, were used to project future payrolls.
43. The *Greenhouse Gas Reduction Targets Act* sets legislated targets for reducing greenhouse gases. Under the Act, B.C.'s greenhouse gas emissions are to be reduced by at least 33 percent below 2007 levels by 2020. Interim reduction targets of six percent by 2012 and 18 percent by 2016 are in place to guide and measure progress.
44. WorkSafeBC reports on its carbon footprint using SMARTTool. Developed by Shared Services BC, a provincial agency providing BC ministries and other public sector organizations key support services, SMARTTool provides a standardized approach to calculating and reporting greenhouse gas emissions. The Government of British Columbia has set a greenhouse gas reduction commitment of one-third below 2007 levels by 2020.
45. In 2016, the provincial government's reporting calculation methodology was updated to align with updates from the United Nations Framework Convention on climate change and Environment Canada as published in *2016/2017 B.C. Best Practices Methodology for Quantifying Greenhouse Gas Emissions*.
46. Right-sizing is the process of optimizing fleet size and composition to best meet organizational needs while considering vehicle use, engine size, fuel conservation, and maintenance schedules, with the goal of reducing overall fuel consumption and greenhouse gas emissions.
47. For premium rate-setting purposes, WorkSafeBC uses a smoothed accounting approach in which investment returns and actuarial gains or losses relating to employee benefit plans are amortized over a five-year period. This approach moderates the effect of capital market volatility on financial results and premium rates. See the Financial Context section, page 16, for further information.
48. See endnote 47.
49. Self-insured employers are sometimes referred to as deposit account employers. They do not pay premiums based on assessable payroll, but pay WorkSafeBC the cost of all compensation benefits distributed to their workers plus a share of administration and other costs. They are required to maintain a deposit balance in their accounts from which amounts for claim costs and administration are drawn monthly. This group of employers includes the provincial government and certain other companies listed in subsection 37(1) of the *Workers Compensation Act*.
50. Effective July 2015, investment policy asset allocation targets were set at 25 percent fixed-income (allowable range 15–30 percent), 43 percent equity (allowable range 40–55 percent), and 32 percent inflation-sensitive (allowable range 20–40 percent). The investment policy also allows for investment in other asset classes (allowable range 0–5 percent).
51. WorkSafeBC's investments are expected to produce a long-term average real return of 3.0 percent (equal to the discount rate used to calculate liabilities) over and above the inflation rate [as measured by the annual increase in the consumer price index (CPI)]; i.e., the required return is CPI growth plus 3.0 percent. The long-term objective of WorkSafeBC's Investment Committee is to earn a real rate of return of 3.5 percent, slightly higher than the 3.0 percent discount rate used to calculate liabilities.
52. The inflation-sensitive category includes asset classes with valuations affected by the inflation rate over the long term, such as real estate and infrastructure investments. Refer to Note 4 of the consolidated financial statements for more detail.
53. Claim benefit liabilities are recorded at present value and calculated by discounting future payments. The accretion expense is an expense recognized when updating the present value of a liability in a subsequent period. It is the change in the liability due to time and discount rate applied. For example, if $100 to be paid a year from now is recorded at a discounted present value of $95, the difference of $5 interest on the liability will be incurred in the next year. This $5 increase in liability is referred to a "normal liability accretion."
54. In 2007, WorkSafeBC's Board of Directors approved the adoption of a capital adequacy policy using a methodology derived from Office of the Superintendent of Financial Institutions (OSFI) guidelines. In Canada, the OSFI regulates banks and insurance companies to ensure they have sufficient capital to back their promises and obligations to customers and policyholders.

Workplace health and safety is everyone's responsibility

All workers are entitled to perform their work duties in safe and healthy work environments where hazards are minimized and controlled. The key to maintaining a safe and healthy workplace lies in joint action that involves everyone — employers, workers, supervisors, and other stakeholders — working together to fulfill their responsibilities and mitigate the risk of injury, disease, and death.

Employer responsibilities

- Provide a safe and healthy workplace
- Ensure that workers are adequately trained. Keep written records of training
- Establish and maintain a comprehensive occupational health and safety program, including a written health and safety policy and an incident investigation procedure
- Support supervisors, safety coordinators, and workers in their health and safety activities
- Take action immediately when a worker or supervisor tells you about a potentially hazardous situation
- Initiate an immediate investigation into incidents, and immediately report serious incidents to WorkSafeBC
- Provide adequate first aid facilities and services
- Provide personal protective equipment as required

Supervisor responsibilities

- Instruct workers in safe work procedures
- Train workers for all tasks assigned to them, and check that their work is being done safely
- Ensure that only authorized, adequately trained workers operate tools and equipment or use hazardous chemicals
- Ensure that equipment and materials are properly handled, stored, and maintained
- Enforce health and safety requirements, and correct unsafe acts and conditions
- Identify workers with problems that could affect safety at the worksite
- Follow up with interviews and referrals where necessary
- Develop appropriate health and safety rules and inspect the workplace for hazards

Worker responsibilities

- Know and follow health and safety requirements affecting your job
- Use all personal protective equipment when and where required
- Don't assume you can do work you've never done before. Ask your employer for training so you know how to do it safely before you begin
- Always work safely and encourage your co-workers to do the same
- Immediately correct unsafe conditions or report them right away to your employer
- Immediately report any injury to a first aid attendant or supervisor
- If you have any doubts about your safety, talk to your employer. Take the initiative — make suggestions to improve health and safety at work

Worker rights

- Know about workplace hazards
- Participate in workplace health and safety activities
- Refuse unsafe work

For more information

If you have questions about workplace health and safety issues, call the Prevention Information Line at 604.276.3100 or toll-free within B.C. at 1.888.621.7233, or visit worksafebc.com and follow the Health & Safety link, where you'll find resources that can be downloaded free of charge. You can also purchase safety publications and DVDs at worksafebcstore.com.